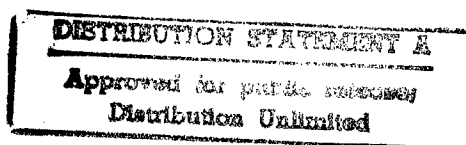




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JPRS Report

East Europe



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ALBANIA

Potential for Instability Analyzed

90EB0202A Paris LE MONDE in French
17 Jan 90 pp 1, 6

[Article by Francis Cornu: "Stalinism's Aerie"; first paragraph is LE MONDE introduction]

[Text] The is the first in a series of articles devoted to the principal countries in which the Communist Party retains undivided control, as if oblivious to recent upheavals in the East.

"Nowhere in Albania has a state of emergency been declared. Nor has there been any manifestation of protest," declared Mr. Ramiz Alia, Albania's head of state and Communist Party leader, on Monday 15 January. Yet the Greek and Yugoslav media continue to carry reports of serious unrest and emergency measures. What is actually happening there? It is difficult, if not impossible, to know: After 44 years under a uniquely hermetic regime, Shqiperia, or "Land of Eagles," remains as isolated in its mountains today as it was yesterday.

But the government in Tirana has mobilized its ambassadors in several foreign capitals to deny reports, so much so that this sudden response seems to belie uneasiness, at the least. Mr. Xenophon Nushi in Paris, like his colleagues in other capitals, wished to make it clear in a rare interview on 28 December that his country was in no manner "concerned" by the crisis in a "socialist community" to which it does not belong. In his view, the recent upheavals in Eastern Europe mark the failure of "revisionism" (communism as distorted by "Khrushchev and Gorbachev"), while the Albanians, "who have always opposed this deviation, will continue down the socialist path."

In a country where the cult of Stalin has been preserved, there is nothing more "hard line" than Albania's loyalty to "true" socialism. A statue of Stalin, "Father of the Peoples," still watches serenely over Tirana's main thoroughfare. The avowed persistence of Stalinism in Albania bodes very ill for the fate of Albanians if ever the regime were to feel threatened by serious disturbances and present rumors of a protest movement (particularly in the city of Shkoder in the north) could be an early sign of them.

Despite the tightly closed system, it was eventually learned that the Albanian Government's fear of such disturbances in the past led to several severe waves of repression, all in proportion to the size of this country of barely more than three million people. Amnesty International has often reported them, but without being able to provide detailed information.

"The recent events in East Europe have encouraged certain well known anti-Albanian forces to resume their campaign of slander against our country. But they will not succeed at their attempt to harm us. Never have we

allowed anyone to dictate our laws and standards to us, nor will we ever," declared Mr. Ramiz Alia on 1 January in his New Year's address to the nation.... This reconfirmation of intransigence and of a desire for continuity considerably dampens the hope of change that Mr. Alia had vaguely raised at the death of his predecessor, Enver Hoxha, the "beloved" founder of the People's Socialist Republic of Albania. Except for some relaxation in foreign affairs, any "opening up" (a term that Albania's leaders would rather avoid) has yet to be seen; in fact, the regime appears to have become more rigid in recent months. Fear of contagion?

Dictatorship of the Proletariat

At the Central Committee's Eighth Plenum in September 1989, Mr. Alia gave the impression of returning to what he sees as the more certain values of strict obedience to Stalinism. "The arrogance of the bourgeoisie and of imperialism is sustained in the revisionist betrayal," he said, "which, with Gorbachev's perestroika and the current wave of counterrevolutionary reforms, is completing a process that put Soviet and East European societies entirely on the road to capitalism. Not only have Gorbachev and his people disavowed Stalin and Socialism's first successes; they do not even hesitate to criticize Lenin and the October Revolution." Mr. Alia went even further: "Our party and Comrade Enver Hoxha denounced modern revisionism and warned the communist movement against its dangers as soon as the first symptoms appeared. Time has proven (their) predictions were well founded."

Thus, why change if you believe you have been right all along? But Mr. Alia, who came to power at the age of 59 with a markedly younger team, considers it desirable "to perfect Socialist democracy." He denounces the "bureaucrats," believes that non-Communists can be appointed to important posts (ministries, military commands, embassies) and advocates the "confrontation of ideas," while condemning those who fail to differentiate between "unity" and "unanimity." Nonetheless, he reminds his audience that "it is essential to make socialism move forward and to stand in the way of anything capable of leading it astray." In case there were any doubt, he adds: "Just as we will not open the way to a return to private property, we will never allow any weakening of socialist joint ownership of property or (of the) dictatorship of the people. Just as we will never share power with an antipopular force, we will never relinquish the leading role of our party for so-called pluralism."

A few months earlier, in February 1989, Mr. Alia had announced the replacement of several ministers and party officials, underscoring "the weaknesses and inadequacy" of certain elements in the country's management structure, as well as the need "to control it more closely." An admission of problems, of internal dissension? A tightening of the reins after a very brief and cautious attempt at pragmatism? The workings of the Albanian dictatorship are impenetrable.

Europe's Poorest

The history of this underdeveloped country helps to understand how an iron-fisted regime was born and survives in seclusion, out of step with the rest of Europe.

Albania has never known democracy, not even the limited political interplay that certain communist parties occasionally engage in. The Albanian Communist Party has experienced only brutal and more or less secret purges that leave white blanks on museum walls where portraits of fallen leaders once hung, such as the portrait of former prime minister, Mehmet Shehu, whose death in 1981 was presented as a "suicide."

After four and a half centuries of Ottoman rule, Albania was occupied by the Italians during World War I. Proclaimed a republic in 1925, the president crowned himself king three years later as Zog I. In 1939, Albania was again occupied by the Italians, this time returning as Fascists, then by Nazi Germany in 1943. To a large extent, Albania liberated herself, a fact that lent enduring legitimacy to the Communist government. The Communists, working with the Yugoslav partisans, easily gained prominence in the resistance movement and later at the helm of the new state. (Enver Hoxha's Democratic Front won 93 percent of the vote in 1945.) The new state became a people's republic in 1946. Albania's struggle against the invader explains the "pride" perpetuated by the Communists in her painfully gained independence, which has been fiercely protected and maintained at all costs to this day.

Breaking off relations with one country after another (Yugoslavia in 1948, the USSR in 1961, and China in 1978), Albania has indeed remained highly independent, but by depriving herself of her main partners, she has also remained very poor...the poorest country in Europe today!

The government in Tirana now acknowledges the country's economic difficulties—partially, that is. "Poor management and incompetence" are sometimes openly criticized, while Mr. Alia himself speaks of "imperfections" in the achievement of goals under the national plan. The plan to "rotate managers" (reactivated in February 1989) has fallen short of expectations. It is no surprise that Albania refrains from publishing data in the form of absolute numbers, resorting to percentages instead.

Widespread Penury

Albania's largely archaic form of agriculture still employs nearly two-thirds of the population. Following the death of Enver Hoxha, Albania continued to collectivize by bringing cooperatives under state control. Albania has considerable mineral resources: She is the world's third largest producer of chrome and her own oil reserves are able to satisfy the country's needs. Those needs are limited, it is true: As many ox drawn carts can be seen traveling the roads as tractors and trucks. But Albania's processing industries are rudimentary and

outmoded. Generally speaking, spare parts are sorely lacking for machinery supplied by the USSR and China before relations were broken off. The "Land of Eagles" is suffering from penury as extreme as its principles of independence and self-sufficiency. Because the Constitution forbids any foreign borrowing or joint ventures, trade is essentially based on barter. Some accommodations to allow for at least more flexible forms of "compensation" have become inevitable.

Like the Romania of Ceausescu's final years, Albania can boast of having no foreign debt, but that source of pride has come at an exorbitant price: underdevelopment. Even before the death of Enver Hoxha, the leaders had begun to recognize the lessons in the situation and to look for solutions. A policy began to take shape, but it was prematurely labelled an "opening" abroad, since its primary purpose was to normalize relations with capitalist or socialist countries held in contempt but capable of giving the Albanian economy a second wind. Thus, official relations were established in 1987 with West Germany, previously denounced as "revenge seeking," but the pace of modernization projects aided by West German companies has slowed since 1989. Relations with Yugoslavia and Greece also improved and borders were partially opened. Albania attended a conference of Balkan states but nothing came of it when new turn for the worse occurred over the Albanians in Kosovo, who were said in Tirana to be "increasingly oppressed by the Serbs."

Is Albania hardening up again? A very recent statement by Mr. Alia seems to indicate that it is: "Our expanding political and economic activities with other countries (...) may have left some of our comrades with the false impression that the imperialist and revisionist encirclement has eased up somewhat. That is a very dangerous illusion. Our party must never allow a psychosis of that sort to take root in Albania." Albania's leaders seem almost ready to revert to the "besieged fortress" policy dear to Hoxha who built enough bunkers for every inhabitant against the threat of a Soviet or American invasion. There is even talk in Tirana these days of an anti-Albanian plot cultivated by Mr. Gorbachev and Mr. Bush at the Malta summit!

How much longer can the regime sustain such outright paranoia in proud isolation which, far from splendid, is in every way an impoverishment? Of course, the Segurimi, the political police, is on watch, but the Segurimi, its sinister reputation comparable to that of Romania's Securitate, was criticized severely in a novel published in Tirana with praise by the famous writer Ismail Kadare whose cautious forays have been tolerated by the government up to now. Was this an oversight by the censors, or a sign of protest inside the nomenklatura itself?

In a country like this, there are few chances that an opposition will spring up outside the all-powerful party. Bucharest's example has already shown us that. The opposition movements in exile seem weak, and the most vocal of them all at present is the monarchist movement

led by King Zog's son, Prince Leka, who lives in South Africa and wears a revolver at his hip.... According to observers as well informed as they can be, unrest endangering the regime could not develop without a sudden worsening of the economic crisis and the possibility of complicity from leaders convinced that the system would disintegrate—a scenario also found in Romania.

A Revival of Islam

Another possible factor of protest is the partial revival of Islam in a country where nearly 70 percent of the population is of Muslim origin, despite the total ban on religious worship. (See LE MONDE of 13 April 1989.) Moreover, increased contacts with Greece seem to have awakened the religious sentiments of the Orthodox community (20 percent of the population).

Finally, even if the borders remain only half open to foreigners (20,000 tourists in 1989, restricted to organized group tours) and even if the Albanians are still fearful of talking to them, the country can no longer remain ignorant of an outside world that attracts it, particularly when so many events are unfolding in Europe. For two years, Albanians have been allowed to receive foreign radio broadcasts and to build television antennas to pick up Italian, Greek, and Yugoslav programs. An abrupt step backward by the political authorities cannot be ruled out, but another closing off of the entire country is no longer within the realm of reality.

GERMAN DEMOCRATIC REPUBLIC

Modrow Interviewed on Political Process, Youth Matters

90EG0117A East Berlin JUNGE WELT in German
22 Dec 89 p 3

[Interview with Prime Minister Dr. Hans Modrow by Renate Zucht and Michael Laasch: "You Are Our 'Gorby'"; date and place not given; first two paragraphs are JUNGE WELT introduction]

[Text]

You Are Our 'Gorby'...

...wrote a female reader from Berlin. A man from Dresden sees Hans Modrow as a "top politician" and is "proud that he lived and worked in one city with him for many years." And a small Berlin athletic club invited the head of government to an endurance run in order to show him the nicest courses without bothering him with official problems.

Consequently, lots of fan mail that we forward, of course, combined with a veritable deluge of questions. Renate Zucht and Michael Laasch were able to ask the Prime Minister many—but unfortunately not all—the questions on behalf of JUNGE WELT readers.

[Boxed item: Biographical: Dr. Hans Modrow, born on 27 January 1928 in Jasenitz (District of Ueckermuende), trained as engine fitter, FDJ [Free German Youth] Functionary for many years, awarded a Doctorate in Economics in 1966, First Secretary of the SED [Socialist Unity Party of Germany], District Administration of Dresden from 1973 to November, 1989; People's Chamber Delegate since 1957, Prime Minister since 13 November, married, 3 children, 3 grandchildren.]

[JUNGE WELT] Mr. Prime Minister, the German-German summit has taken place. It was the Chancellor's good fortune. He was satisfied. You, too?

[Modrow] Yes, with the results, in fact, but not with some of the high profile surrounding circumstances. Primarily the planned GDR-FRG Agreement on Cooperation and good neighborliness as well as the initiated new phase of economic cooperation are especially part of the results, in addition to getting acquainted—very worthwhile. The economy is, in fact, a central element of the agreement partnership, and something very substantial is going to happen in this area.

[JUNGE WELT] The GDR needs internal stability, above all, so that free elections can be held on 6 May. Will the FRG support the economic concept of your government?

[Modrow] No concrete figures are specified in the Dresden joint communique of both Heads of State. That doesn't mean they don't exist at all. However, both governments must be given the opportunity to come to not only a general, but also a precise agreement on this.

[JUNGE WELT] The Economic Concept mentions a Stabilization Program through 1992. What specifically does that mean for our standard of living?

[Modrow] Stabilizing the economy facilitates stabilization of our overall living conditions. Most of it will depend on the individual performance of the GDR, but much will depend on decisions of the Federal Government in Bonn.

[JUNGE WELT] Will there be a currency reform?

[Modrow] No.

[JUNGE WELT] There will be visa free travel from the West to the East effective Christmas. Many readers fear a resulting increased shift to the right and a sell out of our country.

[Modrow] My government has a concept for combatting a sell out. The Ministry of Finance has already published a notification regarding the exchange rate for visitors from the FRG and West Berlin—and that is only one aspect.

[JUNGE WELT] You and Chancellor Kohl agree on an agreement partnership. What limitations do you see, nonetheless?

[Modrow] I see the existence of the GDR which has accepted a partnership agreement with the FRG. And not a few States in the East and the West are vigorously interested in the existence of this GDR.

[JUNGE WELT] So, you give our GDR a chance?

[Modrow] But, of course! Otherwise, I would hardly be prime minister.

[JUNGE WELT] You said the Soviet perestroika will also be decided in the GDR. Why?

[Modrow] Perestroika for the Soviet Union will be decided in the Soviet Union. A GDR undergoing democratic renewal is a meaningful support for this, just as Mikhail Gorbachev's policy was an is a great encouragement for us, not to mention the life sustaining economic cooperation.

[JUNGE WELT] The Christian Democratic Union and the "Democratic Awakening" declared their support for the Market Economy at their Founding Party Convention. What is your opinion of that?

[Modrow] Some demand the cessation of word games, others create yet new ones but have no clear concepts when analyzed. My government assumes in its platform that an economic reform must transpire. It does not jeopardize Socialist property. It is necessary that market requirements—clearly expressed: supply and demand—play a prevalent part, domestically also, and that the GDR interface more strongly with the international work sector. Foreign capital interest is also part of this.

[JUNGE WELT] Ministries and other authorities were already scaled down. The cry of "State Security Police into Manufacturing" could now be heeded. However, some people have difficulty finding work.

Two questions play a part here. One is: State security must be guaranteed. That is why there was a decision to create an organ for protection of the constitution and an information service. They are no remake or successor of that infamous ministry—we have other circumstances here now. The second one is: every citizen has a right to work, and no collective may deny a citizen this. However, we don't want any new injustices. People wanting to work should be hired and taken into collectives where there is a need for employees—and this certainly applies to very many factories. There may be no discrimination—I thought we had put that behind us!

[JUNGE WELT] Those are appeals to rationality. What is the government doing?

[Modrow] The Ministries for Labor and Wages as well as collective and factory directors in conjunction with labor authorities are charged with guaranteeing the right to work for everyone.

[JUNGE WELT] How many employees will be staying with the Office for Protection of the Constitution and with the Information Service?

[Modrow] Far fewer than half of the previous level of security forces.

[JUNGE WELT] Some time ago you expressed that an election in Fall would be favorable. Now the roundtable is agreed upon for 6 May. How do you view this schedule?

[Modrow] In my view, a considerable pace is planned there. However, the government need not decide here. We will have to adjust to this pace. It will be shown on 6 May whether everyone was well advised.

[JUNGE WELT] Is this time sufficient for the SED-PDS [Party of Democratic Socialism] to escape its confidence crisis?

[Modrow] Gregor Gysi could answer that question better. I think the Party Convention gave the members hope and also strength—but considerably more of that is certainly necessary.

[JUNGE WELT] To whom are you accountable? Also to the SED-PDS?

[Modrow] The Prime Minister and the entire government are accountable to the People's Chamber—and only to them!

[JUNGE WELT] In other words, no conditions from your party?

[Modrow] No conditions! Of course, different political concepts are proposed in a coalition government. I think that is good and proper. When one analyzes the governmental declaration, one finds concepts and opinion papers supported by the different parties.

[JUNGE WELT] Will the GDR have States in the future instead of Districts?

[Modrow] This can be established by a new constitution by all means. However, it may not transpire hastily. As a delegate of the Mecklenburg State Assembly I experienced how the States were eliminated. Thus, I noticed: it is less complicated to diminish States, in a sense, than to amalgamate Districts into States. If it is intended to happen, it must be approached with care.

[JUNGE WELT] Soldiers inquire whether the basic military service can be curtailed to 15 months. Gregor Gysi even included 12 months in his calculations.

[Modrow] That is a question we should discuss after the election.

[JUNGE WELT] The government has suggested integrating "Youth Tourist" with the Ministry of Tourism. How will the interests of young people be represented then?

[Modrow] It is not the Prime Minister's concern to determine that specifically. The Office of Youth and Sports should agree on that with the Minister of

Tourism. A proposal should be made when one also knows what young people want.

[JUNGE WELT] What do you think about a Youth Parliamentary Party in the People's Chamber?

[Modrow] An answer to this question must come from the Election Law yet to be adopted. I approve of parliamentary participation by young people.

[JUNGE WELT] Would the presidency of the Republic be conceivable for you?

[Modrow] Yes, because I have best memories of the years with Wilhelm Pieck, and I experienced him face to face.

[JUNGE WELT] Would the president have to be neutral?

[Modrow] Of course, any president of the GDR will not be able to do any party work. This would be out of the question from the outset. It is another matter whether he has to be impartial.

[JUNGE WELT] Would you have a suggestion for this office?

[Modrow] Perhaps. When I have one, I will keep it to myself for the time being.

[JUNGE WELT] But we'd have a suggestion. However, another question: do you still live in Dresden?

[Modrow] My home is still in Dresden. I have not been able to move yet and still live in government guest quarters in two rooms. Now it is going to be the Boulevard again...only a short distance away. We would have gladly moved into the old Kiez again; it did not quite work out.

[JUNGE WELT] How do you handle your enormous work load? How many hours do you sleep? How does the prime minister stay fit?

[Modrow] The same as since my early youth—with sports. I now make sure I swim twice a week. It doesn't always work out. And if weekends are not so totally eccentric, I also add a run of 8-10 km. As far as sleeping is concerned, it's about six hours at this time.

[JUNGE WELT] You answered in perfect Russian at a press conference. Do you speak other foreign languages?

[Modrow] No, only the Russian language. I learned it in 1952-53 at the Comsomol College in Moscow...Werner Lamberz graduated with me.

[JUNGE WELT] How would you characterize your disposition?

[Modrow] An optimist who completely sees the seriousness of the situation in these times and who takes responsibility for his country. In that sense, I am no impulsive type who quickly boils over. I always assume that a lid must be put on my contemplation the moment

it begins. One must also be able to give in especially in these times. This certainly does not mean that I don't come unglued when nothing works for me anywhere.

[JUNGE WELT] When, for example?

[Modrow] When people beat around the bush in such complicated times; when they propose no concrete ideas. That is the point where I say: enough is enough!

[JUNGE WELT] Where did you spend your last vacation?

[Modrow] In the Zittau Mountains. I am also going to recuperate there over Christmas. I love this area very much because one can ski his course—under considerable pressure at elevation differences of 300 to 400 meters. One notices there that one is getting new strength for one's work.

[JUNGE WELT] Your image prior to your election as prime minister was that you had an ear turned to the public. What is that like now?

[Modrow] I believe that one has an ear turned to the public in an interview with JUNGE WELT. In addition, I live under conditions that bring me together with lots of people.

[JUNGE WELT] What was the most important decision in your life?

[Modrow] From today's standpoint it was my willingness to assume the responsibility for the government of this country in this situation. It was the most meaningful in my life and will remain so.

[JUNGE WELT] What does Hans Modrow hope for in 1990?

[Modrow] I wish that we, as the GDR, will continue to make our contribution to safeguarding and keeping peace; that the government of the Federal Republic—from the national political leadership to the last citizen—will be fully aware of this responsibility for peace in its relationship to the GDR. This is expected of us today, and this is the yardstick the Germans will be measured by as the last decade of this century approaches.

Questions asked by (et al.):

Ramona Mann, Berlin; Ute Leiteritz, Loebau; Simone Steigel, Karl Marx City; Ute Koehler, Berlin; Steffen Mueller, Karl Marx City; C. Ebert, Pirna; Gerd Seifert, Bitterfeld; 40 soldiers from Brandenburg; Ulrich Tille, Pirna; Thomas Arnold, Leipzig; Baerbel Schonert, Potsdam; Kerstin Poehlitz, Auslosen; Ute Etzien, Dresden; Heike Geiseler, Radeberg; Sabine Schoepe, Greifswald; Katja Oestreich, Neubrandenburg; Angelika Schulz, Eberswalde.

POLAND

POLITYKA Weekly News Roundup

90EP0249A Warsaw *POLITYKA* in Polish
No 51-52, 23-30 Dec 89 p 2

[Excerpts]

National News

The Sejm examined a package of issues associated with the economic changes being prepared by the government. *GAZETA WYBORCZA* titled the reports on the government efforts: "Great Belt Tightening." Last Tuesday, Lech Walesa proposed the Sejm give the government special powers. The offer received a critical reception, even among Lech's Team, and neither the government itself nor the Citizens' Parliamentary Club presented it to the parliament. The OPZZ reaction was particularly sharp.

Radio Free Europe, following the Voice of America, has announced it will open a Warsaw bureau. Maciej Wierzynski, a long time journalist for *KULTURA* in Warsaw and television, who has recently been living in the United States, is to be the correspondent. It has been reported that he was considered for the position of head of television before the position was given to Andrzej Drawicz. [passage omitted]

At a meeting at Widzew in Lodz on the ideological and political profile of the party, Mieczyslaw F. Rakowski: "The source should be a broadly conceived socialist thought—Polish and European—as well as everything valuable in the communist movement. I am opposed to cutting "ourselves off from our roots." The main foundation of the party must remain the working man, especially the working class. The party also cannot ignore the peasants; it must take a position on the rural issues in the program. As regards the intellectuals, it is difficult to imagine a party could be formed that turns its back on them, although it must be admitted that the party has not always respected them in the past.

At a press conference at the Government Press Office, it was announced that supplements for the unemployed are to be, for the first three months, 70 percent of the previous wage; then 50 percent; and after nine months 40 percent. [passage omitted]

During an evening television commentary on the second channel, Jacek Maziarski, deputy editor in chief of *TYGODNIK SOLIDARNOSC*, commented that the PZPR should draw some conclusions from the issues surrounding the Lenin monument in Nowa Huta. The removal of the monument ended the problem. The commentary came after the wave of excesses directed against party facilities (in addition to the events in Krakow, at the Katowice Voivodship Committee about 140 windows were broken and the front of the building was splattered with paint, which is difficult to remove; the damages were estimated at 10 million zloty; in

Szczecin, the order services were attacked; 46 militiamen were injured; three were hospitalized; 15 militia vehicles and many pieces of equipment were damaged; windows were broken out of the building). [passage omitted]

A TRYBUNA LUDU correspondent asked Malgorzata Niezabitowska, government press spokesman: "Who will pay for the many billions of losses caused by the prison rioters, who will settle the moral and political debt for the death of seven prisoners? Will Aleksander Bentkowski, minister of justice, resign his post? "We do not think the prison riots should be put on the shoulders of Minister Bentkowski." The spokeswoman expressed regret at what had happened.

The Polish Academy of Sciences failed to elect a new president to replace Prof. Jan Kostrzewski. The only candidate proposed by the election commission, Prof. Wladyslaw Findeisen, a senator of the Citizens' Parliamentary Club, did not receive the required two-thirds majority of the votes. The deputy presidents, however, were elected; they are professors Aleksander Gieysztor, Adam Bielanski, Leszek Kuznicki, and Roman Ney.

The fifth national meeting converted itself into a congress, and the Central Union of Crafts converted itself into the Union of Polish Crafts. Jerzy Bartnik, a craftsman from Poznan, was elected chairman. The delegates mainly criticized tax issues; they considered the announcement of the new tax system a "nailing down of everything that moves." [passage omitted]

Farmers are drawing attention to the fact that in April an agricultural tractor cost as much as 11,000 liters of milk delivered to a purchasing center; in November, it cost as much as 25,000 liters; a rotary mower was 325 and 1,600 liters respectively, a two-horsepower milking machine, 2,400 and 4,000 liters; a liter of fuel, 0.96 and 2.1 liters. In December still more, especially since during the last few days the price of fuel was raised again (94 octane 1,200 zloty per liter).

Who's Who News. The president of radio and television dismissed the deputy presidents for radio, Jozef Krolkowski, and for television, Jerzy Slabicki, both PZPR members. The Congress of Agricultural Solidarity (160 votes) elected Gabriel Janowski the new chairman; Jozef Slisz lost, receiving 84 votes. Both are senators for the Citizens' Parliamentary Club. [passage omitted]

On the Left

[Passage omitted] Minister Shevardnadze announced that the USSR intends to sign a 10-year pact with the EEC.

A. V. Weizsacker, president of the FRG, visited Potsdam privately, as was emphasized, and met with Modrow, the premier of the GDR, and with Gerlach, the chairman of the Council of State.

Premier Ryzhkov appealed to the CEMA countries to use world prices based on a convertible currency in trade

among themselves beginning in 1991. J. Masliukov, chairman of the Soviet State Planning Committee: under the current system of trade among CEMA member countries, the Soviet Union is suffering losses.

The leaders of the opposition of Czechoslovakia have reached an agreement with the communists and the other parties under which the president would be elected by a reconstituted parliament before the end of January 1990.

A survey of public opinion in Czechoslovakia: 22 percent trust V. Komazek (deputy premier from the CPCZ and a reformer), 1 percent does not; 18 and 11 percent, V. Havel; 12 and 2 percent, L. Adamec; 4 and 21 percent, K. Urbanek. Further development of the country is desirable: 41 percent in a socialist manner, 3 percent in a capitalist manner; 51 percent want "something in between." Of the respondents, 73 percent reject allowing large private ownership back into industry, and 83 percent opposed reprivatizing agriculture. In foreign relations, 35 percent support the Soviet Union as the main partner; 80 percent call for a revision of current economic relations with socialist states; 47 percent support Czechoslovakia remaining in the Warsaw Pact. [passage omitted]

A survey in the GDR on unification: 16 percent is very much in favor, 32 percent are "rather for it than are against it," 23 percent is "very much opposed," and 29 percent is "rather against." Party preferences in future elections: SED, 31 percent; the LDUD liberal party, 23 percent; the New Forum, 17 percent; the CUD, 10 percent, the peasant party, 5 percent. The SED receives supported especially among the students (as much as 48 percent) and people 64 or older (39 percent). Premier Modrow receives "great trust" among as many as 84 percent of the citizens.

Prof. Reich, representative of the GDR New Forum in response to a question from a Polish journalist: "We will have to deal in the GDR with a strong rightist group, with a strong nationalist group. . . . Our society is in a state of ferment, and in such circumstances, extremes appear." Prof. Reich appealed for Poles to be patient and understanding. [passage omitted]

The second circulation in the Soviet Union (according to the monthly YUNOST): there are 323 periodicals, including 149 liberal democratic periodicals, 54 Marxist ones, 39 youth ones, 4 pacifist ones, 4 ecumenical ones; 98 of the samizdat publications are bulletins of informal movements and organizations; 132 are sociopolitical publications; 33 are musical ones (promoting mostly rock), 54 are philosophical and artistic; 8 ecological, 5 satirical, 2 publish translations, and 2 for children. Among the 323 periodicals, 200 are published by informal organizations; the others are published by independent individual publishers. [passage omitted]

In Lithuania, there are 796 religious communities: among them are 657 Catholic ones, 41 Orthodox ones, 27 Lutheran ones, 7 Reformed (Calvinist) ones, 5 Baptist

ones, 3 Moslem ones, 2 Jewish ones, 2 Pentecostal ones, and 1 Karaite community. Since 1988, the faithful have received 20 Catholic churches and one Orthodox church. Also, 15 permits for the construction or reconstruction of places of worship were issued. [passage omitted]

Opinions

[Passage omitted] *Doc. Dr. Edmund Wnuk-Lipinski, head of the sociological advisory group for the Citizens' Parliamentary Group:*

(Interviewed by Andrzej Gebarowski, ODGLOSZY 10 December 1989)

[Answer] The most varied social spasms are possible. The most dangerous one that Poland might experience would be some sort of populist appeal. . . . Such an appeal would have to come from a force that is not unequivocally identified with the old order because it has been rejected. This is probably why the calls of the OPZZ, which have been renewed again and again, have encountered so little response. . . . A populist appeal from the right wing would cause greater danger. If the appeal received a response, it could rapidly transform itself into a fairly broad protest movement, but this time against the Walesa orientation in Solidarity. Further, it could attract the radical opposition group, which does not accept the current tactics. And this threat will grow if the government does not succeed in the coming months in stabilizing the economic situation, especially if it fails to control inflation.

Slawomir Wiatr, secretary of the PZPR Central Committee:

(Interviewed by Marek Siwiec, ITD 10 December 1989)

[Question] Looking at the preparations for the congress one sees that the honeymoon period has ended. No one is patting anyone on the back, a sharp political struggle for power has begun. Who is conducting it? Can a survey of the most important forces be made now?

[Answer] Perhaps what I will say may compromise me as a secretary of the Central Committee, but I do not sense such a struggle. I do not sense how the main driving forces are distributed. They certainly do not appear in the programs that have been presented so far. The pre-congress antics were initiated by the most naive individuals, although in a frank manner.

[Question] What then is the name of the true forces?

[Answer] The traditionally understood party activist, less traditionally the apparatus. We should expect that during the elections all programs will be rejected as a foreign element.

Moczulski on Role of KPN in Elections, Party Priorities

90EP0272A Warsaw *PERSPEKTYWY* in Polish
No 49-50, 22-29 Dec 89 pp 15, 18

[Interview with Leszek Moczulski, leader, Confederation for an Independent Poland, by Zygmunt Rola: "This Is Where We Come From"; date and place not given]

[Excerpts] Their views of the world differ; their anticommunist radicalism unites them. They started the Confederation for an Independent Poland declaring its formation in front of the Tomb of an Unknown Soldier on 1 September 1979. For inspiration, they draw on the traditions of the Polish independence movement—the PPS [Polish Socialist Party] military organization, the Legions, and the Universal Military Organization.

We interviewed the KPN [Confederation for an Independent Poland] leader Leszek Moczulski.

[PERSPEKTYWY] The word independence is written on your banner. What does it mean for you?

[Moczulski] What it has always meant since the word appeared: The situation whereby the decisionmaking center is located within the country. It is ours, our own, because it is here.

[PERSPEKTYWY] Is this the only criterion, or a basic criterion?

[Moczulski] A basic one. [passage omitted]

[PERSPEKTYWY] Are you not afraid that when we start referring to one dependency in the past tense we will have become dependent in other ways?

[Moczulski] Of course, I am afraid of this. We do not reduce the issue of independence to liberating ourselves from the hegemonic dependence on the Soviet Union. It also includes ensuring that Poland will not find itself in other arrangements of dependency, economic even if not political and military dependency. Such a threat is quite real but it has not appeared just recently. Our country has been straightening up from the mid-1950's (since the mid-1970's it has been doing this more effectively). The political school which I represent has always been particularly sensitive to dangers of this kind arising from all quarters which can be perceived even now.

[PERSPEKTYWY] Which dangers first of all?

[Moczulski] We are troubled by the thought of whether our economic orientation will lead once again in just one direction, toward substantial dependence. This does not have to happen, though it might. [passage omitted]

[PERSPEKTYWY] When the PZPR [Polish United Workers Party] resolved to give up power, it was impossible to foresee whether Tadeusz Mazowiecki would want to entrust certain ministerial posts to PZPR members...

[Moczulski] To the contrary, it was known from the very beginning that several ministries would be reserved for this party. It would not have even occurred to Mazowiecki that it could have been otherwise.

[PERSPEKTYWY] Mazowiecki became the prime minister because his group had won the elections. Did Solidarity help the confederation in the course of the election campaign?

[Moczulski] Yes, many Solidarity members got involved in the KPN campaign. Jacek Smagowicz, a Solidarity functionary, spoke at our rallies and clamored for the confederation.

[PERSPEKTYWY] Did the Citizens' Committee support you?

[Moczulski] No. We pursue different policy lines. We want to liquidate the People's Republic of Poland whereas they want to set the People's Republic of Poland right, make this system better, make it prosperous and likable for the people.

[PERSPEKTYWY] Still, the Tadeusz Mazowiecki government is an historic landmark. Perhaps, you would agree with this?

[Moczulski] Yes. However, the government of Professor Kucharzewski set up by the Regency Council was a still more historic landmark. After all, this was the first Polish government since the time of the January Uprising, a government of a dependent country, dependent on Germany and Austro-Hungary. However, nobody will say now that the government of Professor Kucharzewski, a man of integrity, an outstanding historian, and otherwise a proponent of independence whose credits we do not deny, was the first government of independent Poland. We mark the history of independent Poland from 11 November 1918. For some people, for example, for the then Colonel Wladyslaw Sikorski, what appeared in 1916 was enough. This satisfied their aspirations because they believed that a Polish state was being born. However, there is a fundamental difference between dependent and independent statehood. Therefore, the Citizens' Committee sort of belongs in the pre-11 November period. The day of Poland is yet to come: Either it is 11 November which would be a better solution, because it is peaceful, or 29 November, which would be a much worse solution.

[PERSPEKTYWY] In the June election, KPN candidates received at best about 5 percent of the votes. However, this was not the first time that the KPN resolved to submit itself to the test of elections...

[Moczulski] We ran in the elections for the second time, and we noted tremendous progress. In 1980, all of our candidates were arrested whereas this time only one was detained, twice. This year's elections were a plebiscite. Due to the majority system, they gave an opportunity to the two strongest candidates. Those who had the money and the newspapers were the strongest. The KPN had no

access to newspapers, the radio and the TV, nor did we have money. Here is one point: A lot of time has to pass before we gain social support because we are a radical group. Therefore, we did not take part in the elections in order to win seats.

[PERSPEKTYWY] Somehow, I find this hard to believe...

[Moczulski] Yet, in this Sejm we have sufficient support...

[PERSPEKTYWY] Why did you not take advantage of the additional election in Piotrkow Voivodship? Soon you may try Opole Voivodship...

[Moczulski] We have more important matters to attend to. You do not believe what I have said because the confederation behaves in a way different from what the people expect.

[PERSPEKTYWY] Therefore, why were the names of KPN members placed on the ballot in June?

[Moczulski] There were two reasons for this. The first one was: These plebiscite-type elections were to determine whether our society accepts the system of the People's Republic of Poland or not. The national list was the tool. Had a majority of people on this list won seats the authorities of the PRP at the time would have trumpeted throughout the world that a majority of the Poles had come out in favor, and, therefore, the PRP would have been legitimized after 45 years. We consider the PRP to be an illegal structure, and this is why we cannot allow it to be legitimized.

[PERSPEKTYWY] Could it be that you do not remember that 8 million Poles voted in favor of the national list?

[Moczulski] Even 8 million is not enough in order to legitimize the PRP. Therefore, we could either call for a boycott or appeal for the people to take part in the elections with a view to exactly crossing out the national list. We decided to say: Take part and cross it out. However, we had to field our own candidates in all of Poland in order to be able to say this. So, on the average in the country we received 5.6 percent of the vote. If we were to add these votes to those on the national list who lost the elections... after all, many of them fell 1.5 percent short of winning a seat! Had we succeeded in getting an extra 0.8 percent nobody on the national list would have made it to the Sejm.

[PERSPEKTYWY] Let us assume that the KPN wins the elections, and Leszek Moczulski becomes the prime minister. How would you arrange Poland?

[Moczulski] A Poland in which the KPN could win elections would be a politically mature state. You would like to know how our policy would look? We know precisely what we want, we have our own plans. If the confederation were to win elections like the last ones, when seats are divided before the voting, the main task

of the government nominated by us would be to bring about free elections. Later we could begin carrying out our program. Normalization of relations between Poland and the Soviet Union is the first main task, and introducing a democratic system is the next. The issue of fundamental economic transformations would certainly rank third.

[PERSPEKTYWY] Recently, groups of KPN members forcibly took over public buildings in order to publicly manifest their presence in political life. This caused a resolute response from the Tadeusz Mazowiecki government. Are you not afraid that actions of this kind and other scenes would cause the proponents of public peace to turn away from you?

[Moczulski] It will never happen so that we win everyone over. We know that before we ascend to power we will not have the support of more than 35 percent of society. However, we need the active support of 20 percent of adult Poles in order to fully carry out our plans. We are aware that some people like what we do, and others don't. In this instance, I will recall Lenin who once referred to so-called khvostitsizm [tailing]: Frequently, a politician follows public opinion like a tail follows a dog though he should be ahead of public opinion and show the way to the people. A majority in our society may dislike what we do at present. We do not mind this. We believe that these are correct actions which will definitely be accepted at some point.

[PERSPEKTYWY] Therefore, what was the point of this pushing and shoving over office space?

[Moczulski] Office space was not the point at all. Politics is an art of indirect actions. When Bierut and Minc said that Nowa Huta was going to be built because steel is needed the real goal was to eliminate old Krakow politically. At present, political pluralism means giving the old structures and the new ones an equal opportunity. Our talks with the government led to nothing in the course of 6 weeks. The government said that the law is the law, and those who used to have newspapers, loans, tax relief, and buildings should continue to have them. Our demands were as follows: Political parties should have office space so that people could come to them, as well as access to the mass media. Also, nobody should receive state subsidies. However, for as long as someone continues to have privileges others should be treated the same.

[PERSPEKTYWY] You said that negotiations were held in the matter...

[Moczulski] Indeed, we warned that the KPN would engage in a protest action amounting to blocking PZPR offices but the Mazowiecki government did not take that seriously. They believed that we would not bring ourselves to do this. Therefore, at first we posted pickets for 2 weeks by way of a warning. Then we struck two blows in succession, and four more actions. After we were removed by the militia, we once again asked that our requests be granted within 3 days. When this did not

happen we blocked 40 buildings. As I have said, we did not want office space in any of them. We wanted to show that, to be sure, the government has changed but the same people still have the material means of power. As a result, we got an announcement by Aleksander Hall who faced a TV camera frowning and said: There will not be subsidies anymore, there will be no loans, and effective 1 January 1990 the PZPR and the RSW [Workers Cooperative Publishing House] "Prasa-Ksiazka-Ruch" will pay the same taxes as everyone else. This is exactly what the objective was.

Treaty Rulings on Western Border Issue Examined

90EN0213Z Frankfurt/Main FRANKFURTER
ALLGEMEINE in German 17 Jan 90 p 6

[Article by Prof. Dietrich Rauschning, professor of international law at the University of Goettingen: "Assuring Poland of the Inviolability of Its Western Borders"]

[Text] In Article I of the Warsaw Treaty dated 7 December 1970, the Federal Republic of Germany and Poland jointly agree as parties to the treaty that the Oder-Neisse line represents the western frontier of the Polish People's Republic. Paragraph 2 underscores the inviolability of their existing borders now and in the future. In paragraph 3, the parties to the treaty state that they presently have no territorial claims whatsoever upon each other, and that they will not raise any such claims in the future. These affirmations have been reiterated on the part of the FRG in a number of declarations—most recently in the resolution of the German Bundestag dated 8 November 1989, passed on a roll call vote with 400 members voting for, four against, and 34 abstaining.

In Article IV of the Warsaw Treaty the parties jointly agree that the treaty does not affect any earlier international agreements concluded by or relating to them. This preclusive clause concerns both the Potsdam Protocol (in the sense of an agreement relating to both parties) and Articles 2 and 7 of the Germany Treaty of 1952/54. Under this clause, the parties to the treaty respect the peace treaty proviso contained in the Potsdam Protocol, the continued validity of the rights and responsibilities of the victorious powers regarding Berlin and Germany as a whole, including German reunification and eventual peace treaty settlements in accordance with Article 2, and the peace treaty proviso contained in Article 7, paragraph 1 of the Basic Treaty. In its notes relating to the Warsaw Treaty, dated 19 November 1970, the FRG government informs the Western powers that it pointed out that it was acting solely on behalf of the Federal Republic of Germany during the treaty negotiations. Paragraph 2 of the Bundestag resolution of 17 May 1972 on the treaties with the Eastern Bloc countries contains the following language: "The obligations entered into by the Federal Republic of Germany were undertaken in its own name. The treaties take today's actually existing frontiers as their point of departure and rule out any

unilateral alteration of them. The treaties do not pre-judge the eventual conclusion of a peace treaty with Germany, nor do they create a legal basis for the presently existing frontiers."

Neither the capitulation of the German Wehrmacht, nor the occupation of all German territory, nor the creation of the Federal Republic of Germany and the German Democratic Republic have resulted in the demise of Germany as a legal entity. The establishment of the Federal Republic of Germany in 1949 reorganized German nationhood above the Land level. This did not entail either the establishment of a new state or the assumption by the Federal Republic of Germany of a position beside or below an existing German state. The limits to actual nationhood were set by the occupation powers. The territorial limits were defined in Article 23 of the Basic Law. The sovereignty of the Federal Republic of Germany was not limited territorially but substantively by the Berlin proviso contained in the Western Allies' letter of approval, dated 12 May 1949. The reorganization of Germany as a state in the form of the German Federal Republic was further limited substantively in that it did not enjoy military sovereignty in 1949. A mere glance at the occupation statute clearly demonstrates that the conduct of foreign policy was at first severely restricted (until the 1951 revision). In addition, the occupation powers enjoyed far-reaching rights of intervention. When the occupation regime came to an end, following the proclamation of 5 May 1955, these substantive restrictions were by and large rescinded. In accordance with Article 2, paragraph 1 of the Basic Treaty they do continue to exist, however, with respect to the Allied provisos relating to Germany as a whole, including German reunification and eventual peace treaty settlements.

No government and no other constitutional body of the Federal Republic of Germany has claimed that German nationhood has already been reorganized to the extent of making decisions relating to Germany as a whole or to the eventual provisions of a peace treaty, or that the government bodies are empowered accordingly. There is much documentary evidence in support of this express limitation, including statements by the German side. We need only recall a statement which Paul Loebe, the honorary president of the German Bundestag, made on 13 June 1950 in the name of the all the political parties represented in the Bundestag (with the exception of the Communists) and with the approval of the federal government and the Bundesrat: "The settlement of this and all other issues involving Germany's eastern and western borders can only come about within the context of a peace treaty which must be concluded as soon as possible by a democratically elected German government as a treaty of friendship and good-neighbor relations with all nations."

The Brandt/Scheel government's statement on the Eastern Bloc treaties makes this lack of authority regarding Germany as a whole particularly clear. This substantive limitation of the reorganization of German

nationhood also corresponds to the Allied position. In its note to the three Western powers of 3 April 1949, for example, the Soviet Union protested against frontier changes in the west by arguing that such changes could only be made with four-power approval. In their responses of 2-4 May 1949, the Western powers pointed out that the issue of Germany's frontiers in their entirety would have to be included in the final peace settlement with Germany and be conclusively decided at that time. In accordance with Article 7, paragraph 1 of the Basic Treaty, the three Western powers and the Federal Republic of Germany are committed (to achieving) "a freely agreed-upon peace settlement between Germany and its former borders for all of Germany which is to serve as a basis for lasting peace. They also agree that the ultimate determination of Germany's borders must await the conclusion of such a settlement."

This does not mean that the Federal Republic of Germany could be a party to such a peace settlement, but that it could join in the efforts at achieving a peace settlement. The legal situation as well as the Allied position were clearly stated by then U.S. Secretary of State [Christian] Herter at the Geneva conference on 18 May 1959. "It is undeniable," Herter said, "that a peace treaty will necessarily include a final settlement of the problems arising from the war, e.g. frontier questions, treaty obligations, claims, debts, etc. It was the nation known as Germany under international law with which the United States was at war and with which it needs to settle unresolved problems. Accordingly, as far as our governments are concerned, a 'final settlement' can only be arrived at when a government has been constituted which is able to act and to assume obligations in the name of Germany as a whole. Since the United States has never been at war with the Federal Republic of Germany or the German Democratic Republic, a 'peace treaty' or final settlement with these separate parts of Germany cannot be a final peace treaty with Germany—no matter whether it is concluded individually or collectively."

The United States clearly stated its position on the German-Polish border in a note addressed to Poland on 11 August 1960: "As the Polish government knows, when the heads of government of the United States, the United Kingdom, and the Union of Soviet Socialist Republics defined the former German territories in Article VIII B of the Protocol of the Berlin (Potsdam) Conference Proceeding, which were to be placed under the administration of the Polish state, they reiterated their position that the final determination of Poland's western borders should await the peace settlement. The position of the U.S. Government is unchanged. One obvious prerequisite for the peace settlement is the reestablishment of a representative and responsible German government able to negotiate, conclude, and implement a peace treaty on behalf of the German people as a whole."

The Brandt/Scheel government took credit for the fact that the treaties with the eastern countries cannot be

characterized as peace treaties. The joint resolution of the German Bundestag of 17 May 1972 made the point that "the treaties do not prejudice the conclusion of a peace settlement and do not establish a legal basis for the presently existing frontiers. The Bundestag resolution of 8 November 1989 also takes note of the fact that no peace treaty has yet been signed. No one can deny that there is a need for a peace treaty. Are the four-power prerogatives which the Soviet Union recently cited when the German question started to percolate in November to last forever?"

We should harbor no illusions about the many demands Germany will face at a peace conference. "Anxieties" about Germany which have been voiced publicly in foreign countries are serving to prepare the way for these demands, although Germany, in the shape of the Federal Republic, a free and democratic state under the rule of law, has been making its contribution to peace in Europe for more than one generation and is working for European integration. The Herter statement in 1959 listed a number of issues that must be settled—ranging from frontier questions to education. Poland, too, has named some issues it would like to see settled. Prior to Chancellor Kohl's visit in November 1989, Poland announced new restitution claims. At the present time, Polish experts are hard at work in the Federal Republic, looking for evidence of work performed by Polish workers during the war. The documents relating to the 1970 Eastern Bloc treaties provide partial information on the issues which were not settled at that time. The summary of facts contained in the ruling of the Federal Constitutional Court of 7 July 1975 also refers to these issues. Those that still need to be resolved include the fate of nationals of both countries as well as questions of nationality and private property. One look at the clauses of the Treaty of Versailles shows that it will take a whole range of settlements to resolve territorial issues in particular.

Poland is looking for legal grounds on which to base its case for the incorporation of East Prussia, Pomerania, and Silesia into its territory. The Potsdam Conference decision to place these regions under Polish administration pending conclusion of a peace treaty cannot serve as such a legal basis, if for no other reason than that it was impossible to dispose of enemy territory while the war was still in progress. It is equally untenable to argue that the forcible westward advance of more than 200 km by the power of Stalinism along a front measuring 2,000 km from the mouth of the Danube to Finland provides the legal basis for incorporating these provinces into Polish territory. The fact that more than eight million Germans were driven out of, and for the most part forcibly deported from, the provinces under Polish administration constituted a violation of international law. It did not take the 1949 Geneva Red Cross convention for the protection of civilians (Article 49 of which prohibits mass deportations and displacements) to substantiate this interpretation.

Any peace treaty which is to provide the basis for lasting peace in Europe will have to rule on the consequences of the war started by Germany. The idea is not to turn back the clock but to establish an order in the center of Europe which will help Europe to continue developing peacefully. The necessary settlements will have to be arrived at between free peoples and their freely elected governments, freely taking the interests of all concerned into consideration. It betrays a lack of trust to think that the free peoples of Europe are not capable of mastering this task.

The above reflections demonstrate that the Federal Republic of Germany has done everything in its legal power to assure Poland of the inviolability of its western frontier. The present movement in the German question clearly shows that the Federal Republic of Germany cannot represent the final stage in the reorganization of German nationhood as an entity superior to the individual Laender. It has been and continues to be the position of all West German governments and all constitutional bodies, including the Christian Democratic coalition governments under Konrad Adenauer, the socialist-liberal Brandt/Scheel government, and the present government, that a peace treaty settlement can only be negotiated with and concluded by Germany as a whole. It is also impossible for the governments of the German Federal Republic and the German Democratic Republic to agree to a final settlement either individually or jointly. The U.S. note to the Polish People's Republic of 20 July 1960 made the still topical point that satisfaction of the Polish desire for a final settlement of the frontier issue presupposes an end to the division of Germany. The note goes on to say that "it is the hope of the U.S. Government that all powers concerned will come to realize the need for German reunification in peace and freedom. Only on this basis can a settlement be reached and a basis for normal and harmonious relations between Germany and all its neighbors be established."

It is conducive neither to a peaceful order in Europe, nor to the unification of Germany for constitutional bodies of the Federal Republic to prejudge individual aspects pertinent to the total system of a peace settlement—even if this be based on "morally" unilateral actions.

The author is a professor of international law at the University of Goettingen.

Most of the texts quoted in this article are contained in the 1989 edition of "Rechtsstellung Deutschlands" [Germany's Legal Position], dtv pocket book No. 5552,2. The U.S. statements may be found under the appropriate date in the DEPARTMENT OF STATE BULLETIN.

ROMANIA

Draft Decree-Law on Elections

90EB0251A Bucharest ROMANIA LIBERA in
Romanian 31 Jan 90 pp 3-4

[Text] Decree-Law for the Election of the Parliament and President of Romania, and of Local Councils

On the basis of Article 2 of the decree-law on the formation, organization, and functioning of the National Salvation Front [NSF] and its regional councils,

The NSF Council decrees:

BASIC PRINCIPLES

Article 1—The political power in Romania belongs to the people and is exercised in accordance with the Constitution and the principles of democracy, freedom, human dignity, and the inviolability and inalienability of basic human rights.

Article 2—Romania will be governed on the basis of a system of democratic pluralism, separation of the legislative, executive, and judicial branches, and election of the state political leadership for one or at most two terms, in keeping with the present law.

Article 3—Romania's Parliament, made up of an Assembly of Deputies and a Senate, the president of Romania, and county, municipal, town, and communal councils will be elected by universal, equal, direct, secret, and free ballot.

Article 4—Representation of populations of all nationalities in the Parliament and in local council will be ensured on the basis of the principle of proportional representation, in accordance with the present law.

The proportion of nationalities among Romania's population is the one cited in the last population census.

Article 5—Each citizen is entitled to one vote to elect the Assembly of Deputies and the Senate, the president, and each local council.

Terms in office for the Parliament, the president, and local councils will be established under the Constitution.

Article 6—The members of Parliament and of local county, municipal, town, and communal councils are elected by electoral district, as envisaged in the present law, one for each district.

Each party, or political group, or civic organization may present only one candidate.

The provisions concerning the counties are also valid for the Bucharest Municipality, while those concerning the municipalities are also valid for the various districts of Bucharest Municipality.

Article 7—Romanian citizens, regardless of nationality, race, language, religion, sex, political beliefs, or profession, may exercise their electoral rights equally and fully.

Article 8—Entitled to vote are Romanian citizens residing in the country, over the age of 18, or who will be 18 in the election year.

Entitled to be elected to the Assembly of Deputies and local councils are citizens entitled to vote and over the age of 18; the minimum age for being elected to the Senate is 30.

Article 9—Barred from the ballots are mentally disturbed or retarded people and persons deprived of electoral rights for a period established under court decree or sentence.

The provisions concerning the lifting of electoral rights under court decree do not apply to persons sentenced for political crimes against the former dictatorship.

Citizens barred by law from belonging to political parties, may not be elected to Parliament or local councils.

Article 10—In the electoral campaign, all the candidates, parties, political groups, social organizations, and citizens have a right to freely express their views, without any discrimination, at meetings and assemblies, on television and radio, in the press, and through all other mass media.

Access to radio and television during the electoral campaign is guaranteed, equitable, and free of cost.

The means used in the electoral campaign may not contravene legal order.

The parties and political groups participating in the electoral campaign will receive a subsidy from the state budget, which will be established simultaneously with the date of elections.

Electoral campaigns may not be subsidized by funds received from abroad or from sources not publicly declared.

The electoral campaign will open at the time that the date of the elections is publicly announced and will close two days before the elections.

Article 11—The date of the elections will be established by decree at least 60 days before the ballot.

ELECTION OF ROMANIA'S PARLIAMENT AND PRESIDENT

Chapter I. General Rules

Article 12—The Assembly of Deputies is made up of 235 deputies elected by electoral constituencies or designated deputies, as the case may be.

The Senate is made up of senators elected according to county size; 15 Army representatives chosen by the Supreme Military Council, and designated senators in some cases.

Article 13—To ensure proportional representation in Parliament of all nationalities, each chamber of Parliament will have a number of deputies or senators designated in keeping with the size of the respective nationality within the overall population. The nationalities taken into consideration are those of a size at least equal to the representation norm established under Article 12 paragraph 1.

Article 14—The criteria for and methods of designating deputies and senators are the ones envisaged in the present law.

Article 15—Candidates for Parliament and for the presidency are proposed by legally established parties, other political groups, and civic organizations.

Independent candidates can also run for Parliament if they are supported by at least 251 voters.

Candidates can run for parliament in only one electoral constituency.

Chapter II. Organization of the Elections

Section 1

Electoral Constituencies

Article 16—Electoral constituencies for the election of deputies are established in each county in keeping with the relationship between the overall population and the number of deputies cited in Article 12 paragraph 1.

Electoral constituencies may be at most 10 percent larger or smaller than envisaged in paragraph 1, in relation to the size of the population in communes, towns, and municipalities.

Article 17—Electoral constituencies for the election of senators are established as follows: two senators in counties with a population of up to 500,000 residents; three senators in counties with a population between 500,001-750,000; four senators in all other counties; 8 senators in the Bucharest Municipality.

Article 18—Electoral operations related to the election of the president will be carried out at senatorial constituencies.

Article 19—Within at most 10 days of the opening of the electoral campaign, the government will delimit, number, and announce the electoral constituencies in the MONITORUL OFICIAL and the press.

Section 2

Voting Centers

Article 20—Voting centers will be organized in communes, towns, and municipalities as follows:

A) In administrative-territorial units with a population of over 2,000 inhabitants there will be one voting center per 1,500-3,000 inhabitants;

B) In communes with a population under 2,000 there will be only one voting center.

Voting centers may also be set up in villages or groups of villages with a population of up to 500 inhabitants, if the distance between the villages and the voting center site is greater than five km.

Article 21—Separate voting centers will be set up to service hospitals, maternities, sanitariums, invalids' homes, and old people's homes with at least 50 voters.

Voting booths may be set up in railway stations, ports, and airports for people traveling on election day.

Article 22—Voting booths will be set up at Romanian diplomatic missions and consulates, as well as economic agencies in countries in which Romania has no diplomatic or consular representations, for members and their families and for Romanian citizens temporarily staying in the respective countries on election day.

Voting booths will be set up on vessels sailing under the Romanian flag on election day; these booths will belong to the electoral constituency in which the vessel is registered.

Article 23—Voters will cast their ballots for both the Assembly of Deputies, the Senate, and the president at the same voting center.

Article 24—County mayoralties will delimit and number the voting centers within 20 days of the establishment of the date of elections.

The voting centers will be numbered according to municipalities, towns, and communes.

Within the time cited under paragraph 1, the county mayoralties will inform the voters of the delimitation and numbering of voting centers, indicating the site of voting booths.

Section 3

Electoral Lists

Article 25—The electoral lists will include all citizens eligible to vote in the localities in which they reside.

The electoral lists will be put together by the mayoralties of communes, towns, and municipalities.

Electoral lists will be drawn up separately for each voting center: by villages in communes, and by streets in towns

and municipalities, and will show first and last name, age, and residence of the voters, in alphabetical order, as well as the number of the electoral constituencies to which they belong.

Article 26—Each voter can appear on only one electoral list.

Article 27—The electoral lists will be visibly posted in public places at least 30 days before election day. The place where the lists may be found and voters' registration will be publicly announced in the press or by any other means by the body that drew up the respective lists.

The original copy of electoral lists will be kept at the court to which the electoral constituency belongs.

Article 28—Citizens have the right and duty to ensure that they appear on the lists, and may complain about omissions, misregistrations, or any other mistakes to the body that drew up the lists, which is obligated to react within three days of the registration. Appeals of decisions will be resolved by the respective court within three days. The court decree is final and must be executed; the decision is communicated to those interested within 24 hours of being issued.

Article 29—Should a voter change his residence after the electoral lists have been posted or should he be absent from his place of residence on election day, the body that drew up the respective list will issue him a certificate so that he can exercise his right to vote, and will note the fact on the list.

On election day, the voter will be registered on a separate electoral list at his new or temporary residence by the electoral office of the voting center on the basis of the certificate mentioned in paragraph 1.

Article 30—The bodies that drew up the electoral lists will submit them to the constituency electoral offices at least 20 days before election day, and the electoral offices of the voting centers two days before the same date. Any subsequent modification will be communicated within at most 24 hours.

Section 4

Electoral Offices

Article 31—To ensure orderly elections, a Central Electoral Office, constituency electoral offices, and electoral offices of voting centers will be established.

Article 32—The Central Electoral Office will be made up of the president of the Supreme Court of Justice and six other Supreme Court justices designated by the president within 10 days of the opening of the electoral campaign.

The Central Electoral Office will monitor the electoral lists and their publication; ensure legal candidacy registration; verify and register the results; carry out the

procedure of designation of deputies and senators, and submit the election files to Parliament for validation.

Article 33—The constituency electoral offices are made up of one magistrate as chairman, designated by the president of the county court, and at most six other members elected by drawing, and one representative each of the parties, political groups, civic organizations, and independent candidates running in the elections.

The lists of representatives are communicated to the president of the county court.

The constituency electoral offices will be established within three days of the publication of the electoral constituencies.

Article 34—Appeals concerning the establishment and composition of constituency electoral offices are handled by the Central Electoral Office within at most three days of registration. The decision is final.

Article 35—The constituency electoral offices have the following obligations:

- a) to record the candidates registered;
- b) to make the necessary announcements and postings;
- c) to resolve complaints and appeals concerning the operation of voting centers;
- d) to distribute ballots and other necessary material to voting centers;
- e) to add up the ballots of voting centers, note the results of the election for the respective electoral constituency, and issue proof of election to the deputy or senator elected;
- f) to submit reports to the Central Electoral Office showing the results of the elections; complaints, appeals, and reports received from the electoral centers offices will be remitted to the county court for filing.

Article 36—The electoral offices of voting centers will be made up of one chairman and at most six members.

The chairman will be a jurist designated by the president of the county court.

The members will be designated by drawing by the chairman of the constituency electoral office from among representatives of the parties, political groups, civic organizations, and independent candidates participating in the elections.

The electoral offices of voting centers will be established at the latest 15 days before election day.

The provisions of Article 33 paragraphs 2 and 3 will be implemented accordingly.

Article 37—The electoral offices of voting centers have the following obligations:

a) to receive from the constituency electoral offices the lists of voters, ballots for their voters, a control stamp, and a "voted" stamp;

b) to carry out balloting operations and ensure order at the voting center and around it;

c) to count the votes and note the results;

d) to submit reports on the results, as well as possible appeals, to the constituency electoral offices;

Article 38—The electoral offices will discharge their duties in the presence of half plus one of the total number of members and will take decisions with a majority of members present.

Article 39—Candidates running in the elections may not be members of electoral offices.

Section 5

Candidacies

Article 40—Candidates for the Assembly of Deputies and Senate are proposed by electoral constituencies and registered with constituency electoral offices at the latest 30 days before election day.

Presidential candidates are registered with the Central Electoral Office.

Article 41—Candidacies will be announced in writing, in three copies, by the parties, political groups, of civic organizations running in the elections, and will be signed by their leadership or, in the case of independent candidates, on the basis of supporters' lists; when supporters do not show up personally, the candidate is obligated to submit a notarized declaration attesting the validity of the signatures.

Proposals will be accompanied by a statement by the candidate stating that he accepts to run.

Article 42—The constituency electoral offices will examine to ensure that legal conditions for the candidacy were met, and will register the candidates that meet these conditions.

One copy of the candidacy proposal will be kept at the electoral office, one will be registered at the county committee, and the third, notarized by the office, will be returned to the candidate.

Appeals concerning the admission or rejection of a candidacy will be handled by the county court within at most three days of registration. The court decision will be final and will be executed; the decision is communicated to those interested within 24 hours of being issued.

Court registration and appeals concerning presidential candidacies will be handled by the Supreme Court of Justice; the provisions of the previous paragraph apply accordingly.

Article 43—Upon expiration of the term of candidacy registration, the electoral offices will announce the candidates, showing first and last name, address, political affiliation, and profession.

One day after the expiration of the term of candidacy registration, the constituency electoral offices will submit the list of candidates to the Central Electoral Office, indicating the data cited under paragraph 1.

Section 6

Ballots

Article 44—The government will establish a ballot model within at the most 20 days of the establishment of the date of elections.

The ballots will be shaped like a sheet of paper in four pages. The size will be decided by constituency electoral offices in keeping with the number of candidates and the space needed to list them.

The paper used for ballots will be white and sufficiently thick so that the names and the vote may not be visible on the reverse side.

Sufficient boxes to include all the candidates will be printed on pages 1, 2, and 3.

Page 4 will be left blank for the control stamp.

The boxes will be printed in parallel in two columns on the same page.

Each box will carry a number in the left upper corner, beginning with the first box on page 1 and continuing from left to right, so that on each page the boxes on the left have the odd numbers and those on the right, have the even numbers.

Printed in the boxes on each ballot will be the first and last name of the candidate in the order in which the proposal was registered.

The name of the party, political group, or civic organization, or the notation "independent candidate" will be printed in the right upper corner of the box.

Article 45—Ballots will be printed using the same characters and the same ink for the entire electoral constituency, in as many copies as there are voters in the constituency, plus 10 percent of that number.

The ballots will be remitted to the chairman of the constituency electoral office within at the most five days from the day they were ordered, and will be distributed to the chairmen of voting centers at least two days before election day.

Two copies of the ballots, stamped and cancelled by the chairman of the constituency electoral office, will be posted one day before the elections at the courthouse and at the site of each voting center.

Upon candidates' request, the constituency electoral office may issue each candidate two stamped and cancelled ballots.

Article 46—The printing of the ballots will be ensured by the electoral offices, through county mayoralties, at the latest 10 days before election day.

Chapter III. The Elections

Article 47—Each voting center must have sufficient booths, ballot boxes, and voting stamps.

The booths and ballot boxes must be placed in the same room as the chairman's desk. The booths, ballot boxes, and stamps will be provided by communal, town, and municipal mayoralties.

The chairman of the voting center must be present on site on the eve of elections at 1800 and be ready to immediately take all the necessary measures to ensure order and correct election procedures.

The chairman will order guard posts around the polls site.

Article 48—On election day at 0500, the chairman of the voting center office, in the presence of the other members, will check the ballot boxes, electoral lists, ballots, and stamps, after which he will close and seal the ballot boxes and apply the control stamp of the voting center. He will also put the control stamp on the ballots.

Article 49—The chairman of the voting center office is the only one entitled to take the necessary measures to ensure orderly polling.

In this respect, his authority extends outside the polling building, to the yard, gates, around the building, and on neighboring streets within a radius of 500 meters.

Aside from the members of the voting center office, candidates, and representatives of the press, movies, radio, and television, no other person may linger in public places around the voting area or in the building longer than necessary to vote.

The county mayoralties will provide the chairman of the voting center with the necessary means for maintaining order.

Article 50—All polling will be done in one day; it will begin in the morning at 0600 and close at 2100.

Article 51—Voters will cast their ballot in the locality in which they reside and only at the voting center to which they were assigned, with the exceptions listed in Articles 21 and 22.

The voters will enter the polling hall in as many numbers as there are polling booths. Each person will present an identity card to the center electoral office, which will issue them the ballots and the voting stamp.

The voters will cast their ballots individually in closed booths, by placing the "Voted" stamp on the box carrying the name of the candidate they selected.

After making their selection, the voters will fold the ballot in four so that the blank side bearing the control stamp is on the outside, and will introduce it in the ballot box, making sure that it does not open.

Folding the ballot wrong does not cancel it, provided secrecy is preserved.

Should the ballot inadvertently open, the voter may be issued a new ballot, and the fact will be noted in the report on the polling proceedings.

The voting stamp is then returned to the chairman.

The chairman may take measures to ensure that voters do not linger unnecessarily in the polling booth.

Article 52—The chairmen and members of voting center offices, and the persons in charge of maintaining order will vote at the center at which they are employed on the basis of voter eligibility certificates.

Article 53—The candidates and any voter are entitled to contest the identity of persons coming to the polls. In such cases, the chairman may use any means deemed necessary to establish the person's identity.

If the claim is correct, the chairman will bar the contested voter from balloting, will note the fact in a report, and will apprise the police authorities of the situation.

Article 54—The chairman of a voting center may suspend balloting if he has valid reasons to do so.

Balloting may not be suspended for more than one hour; an announcement to that effect will be posted on the door of the voting center at least one hour before the fact.

During the break in balloting, the ballot boxes, stamps, ballots, and all office material will remain under permanent guard; the office members may not leave the polling hall all at the same time.

The persons entitled to attend the polling as per Article 49 paragraph 3 cannot be forced to leave the polling hall during the break.

Article 55—No one may be allowed to be present in the polling booth other than the person who is casting his ballot.

A voter who has sound reasons—verified by the chairman of the voting center—not to cast the ballot by himself is entitled to call on any other voter to assist him in the booth.

Article 56—Upon the request of voters who cannot reach the polls for reasons of health or infirmity, or upon the request of the managements of health or social welfare institutions to which such voters are confined, the chairman of the respective voting center office will

designate several members of the office to take a special ballot box and the required material to the site to allow the voters in question to cast their ballots.

Article 57—At 2100 the chairman of each voting center electoral office will declare the polling closed.

Chapter IV. Polling Results

Article 58—After the polling is closed, the chairman of the voting center will cancel all the unused ballots and will open the ballot boxes in the presence of the office members and, where necessary, in the presence of the persons listed under Article 49 paragraph 3.

Upon opening each ballot, the chairman will read aloud the name of the candidate selected and will show the ballot to those in attendance.

Ballots that do not bear the control stamp of the voting center; of a different model than the legally approved one; not bearing the "Voted" stamp, and ballots having more than one box stamped will be voided.

The results will be noted on two lists: one will be kept by one member of the electoral office, and one by the candidates or their representatives, appointed in writing.

The lists will show the total number of voters, the number of void ballots, the first and last names of the candidates, and the number of votes won by each candidate.

Article 59—After the opening of the ballot boxes, the chairman will draft a report each, in two copies, for the Assembly of Deputies, Senate, and Presidency, noting polling procedures and the number of votes won by each candidate.

The reports will be signed by the chairman and members of the electoral office.

The reports remain valid even if they are not signed by the office members, but the chairman must note the reasons for the absence of the signatures in question.

Article 60—Throughout the polling and opening of the ballot boxes, proceedings may be challenged.

Challenges will be drafted in writing and will be submitted to the chairman of the voting center office, who will issue a receipt.

The chairman of the voting center office will rule immediately on challenges that may not wait.

Article 61—A file will be opened for each voting category, which will include: the reports on and contested electoral procedures, and voided and contested ballots. The files will be submitted to the constituency electoral office by the chairman of each voting center and its office members, under military guard, within at the most 24 hours.

The constituency electoral office will send one report copy to the county court; candidates are entitled to obtain notarized copies of reports.

Chapter V. Centralizing and Counting Polling Results

Article 62—After receiving the reports and vote counts from all voting centers electoral offices, and after solving challenges and appeals, the constituency electoral office will add up and establish the polling results in the respective constituency.

For this purpose, the constituency electoral office will add up the number of votes obtained by each candidate throughout the constituency.

The operations of the constituency electoral office may be attended by the persons listed under Article 49 paragraph 3 and by candidates' representatives, according to case.

Article 63—Polling is valid in an electoral constituency if at least half plus one of the total number of voters cast their ballots. The candidate who won the largest number of valid votes is declared the winner.

Article 64—The votes for Romania's president will be counted by the Central Electoral Office.

The candidate who won the votes of at least half plus one of the number of voters registered on electoral lists is declared President of Romania.

If none of the candidates won that majority, a second round of elections will be organized on the second Sunday after election day between the first two candidates classified in the order of ballots obtained.

The candidate who won most votes in the second round of elections is declared president.

Article 65—If less than half plus one of the total number of voters in an electoral constituency went to the polls, the constituency electoral office will mention the fact in its report and will immediately inform the Central Electoral Office, so that new elections can be organized.

The provisions of paragraph 1 will also be applied if the largest number of votes was won by at least two candidates.

New elections will be legally organized 15 days after the previous elections; the same voters lists will be used.

Article 66—The constituency electoral office will draft a report on all polling operations, vote counts, and the results obtained.

This report will include:

- A) The number of constituency voters according to the voters' register;
- B) The number of ballots cast;
- C) The total number of votes won by the candidates;

D) The number of void ballots;

E) First and last name of the candidate who won the most ballots, and the total number of those ballots;

F) The number of unused ballots;

G) A short report on challenges, appeals, and decisions taken by the constituency electoral office;

H) The number of ballots cast within the constituency for both the candidate elected and for the other candidates.

Article 67—The chairman of the constituency electoral office will issue a proof certificate of the elections to the candidate elected.

Each constituency electoral office will submit to the Central Electoral Office the report envisaged under Article 66, together with challenges and appeals, making together a file closed, sealed, and signed by the electoral office members. Simultaneously, it will also submit the reports received from the voting centers electoral offices.

Article 68—The Central Electoral Office will handle the challenges and appeals received, after which it will draft a report each on the results of the elections, which will include:

A) The total number of voters for the Assembly of Deputies, Senate, and presidency, according to the voters register;

B) The total number of ballots cast;

C) The number of void ballots;

D) The number of ballots cast for each candidate, and the candidates' first and last names.

The reports will be signed by the chairman and other members of the office, in the presence of whom they were drafted.

Article 69—The Central Electoral Office will submit the reports listed under Article 68 to the Assembly of Deputies and Senate for the purpose of having the elections validated.

Simultaneously with those reports, it will also submit the files received from constituency electoral offices.

The report and election file for the presidency of Romania will be submitted to the Supreme Court of Justice.

Should the Supreme Court conclude that none of the candidates won a majority of votes, steps will be taken as per Article 64 paragraph 3.

Article 70—The results of the elections will be published in the MONITORUL OFICIAL and in the press by the Central Electoral Office.

Chapter VI. Proportional Representation of All Nationalities in Parliament

Article 71—The national organizations representing each national minority will draft, in accordance with Article 13, lists of persons to be designated as deputies and senators, should that be necessary, with a view to ensuring a proportional representation of each national minority in Parliament.

The lists will be submitted separately for the Assembly of Deputies and the Senate to the Central Electoral Office before the expiration of the date of registration of candidacies.

Candidates running in the elections may not be included on the lists.

The lists will show, in the order established, the first and last names, place of residence, and nationality of the persons proposed, and will be signed by the leaderships of the organizations representing the respective nationality, as per paragraph 1.

The list for the Romanian nationality, featuring personalities from economic, social, and cultural walks of life, will be drafted and submitted by the Supreme Court of Justice.

Article 72—If the composition of the Assembly of Deputies or the Senate does not reflect the proportion of nationalities among the country's population, the Central Electoral Office will designate the required number of deputies and senators from the lists cited under Article 71, in the order of their appearance on the lists.

For this purpose, all the deputies and senators elected and the Army representatives will officially declare their nationality.

Together with the electoral files, the Central Electoral Office will submit the lists of designated deputies and senators to Parliament.

Chapter VII. The Parliament

Article 73—The Assembly of Deputies and the Senate will be legally convened for their first session within 20 days of election day; under the chairmanship of the eldest deputy or senator, they will separately elect a validation commission from among their members, made up of representatives of several parties or political groups.

The validation commission will check the files and the legality of the elections and the designation proceedings, after which they will propose the validation or invalidation of each deputy and senator to the Assembly or Senate, as the case may be; validation or invalidation is decided by each chamber separately.

After the validation of the mandates and after the Assembly of Deputies and the Senate have been declared legally formed, they will each elect working bodies and adopt bylaws.

Article 74—The Assembly of Deputies and the Senate in joint session will legally form themselves into a Constitutional Assembly for the purpose of adopting Romania's Constitution. The proceedings of the Constitutional Assembly will be presided by the presidents of the Assembly and the Senate by rotation.

Until the Romanian Constitution will come into effect, the Parliament may also work as a legislative assembly. After the enactment of the Constitution the Parliament may decide on either continuing activities in keeping with its provisions, or organizing new elections.

Chapter VIII. The Office of the President of Romania

Article 75—The election of the president will be validated by the Supreme Court of Justice, in plenum, within 20 days of election day.

The court decision will be presented to the Assembly and Senate in joint session. From that date the candidate elected is declared president of Romania.

The president of Romania may not belong to any party or group that ran in the elections.

Should the office of the president become vacant, the Senate president becomes president de facto until new elections, which will be held within at the most three months.

Article 76—The president of Romania:

- appoints the representative of the party or group who won the majority of votes as prime minister; should such a majority not have been obtained, he will designate another deputy after consulting with the parties and political groups that ran in the elections; he accepts the government's resignation from the prime minister;
- appoints the president and members of the Supreme Court of Justice and the attorney general;
- can convene Parliament for special sessions;
- can dissolve Parliament, with the agreement of the prime minister and the presidents of the Assembly and the Senate, and in consultation with the leaders of the main political parties;
- delivers the annual state-of-the-nation address in Parliament;
- may declare partial or total military mobilization, with prior Parliament approval; in special cases, the president's decision is submitted to Parliament for approval within at most five days;
- declares total or partial state of emergency, with Parliament's approval issued within at most five days of the adoption of the measure;
- signs international treaties and submits them to Parliament for ratification;

- appoints and recalls diplomatic representatives, and receives representatives of other states;
- grants pardon and commutes sentences;
- awards the ranks of general, admiral, and marshal;
- awards decorations and honorary titles;
- promulgates laws.

Within the exercise of his office, the president of Romania issues decrees, which are countersigned by the prime minister.

Article 77—Should the president violate the Constitution or commit actions that disqualify him from remaining in office, he will be suspended by joint vote of the Assembly and the Senate. The president may be impeached only by referendum, organized within at the most one month of the date of his being suspended by Parliament.

The Parliament may suspend or propose the impeachment of the president only if it was required to do so by at least one-third of the Assembly and Senate members.

ELECTION OF LOCAL COUNCILS

Article 78—Electoral constituencies will be formed to elect deputies to local councils, as follows:

- between 55-75 constituencies for county councils;
- between 45-55 constituencies for municipal councils;
- between 35-45 constituencies for town councils;
- between 19-35 constituencies for communal councils.

Article 79—The number of electoral constituencies for the election of local councils deputies is established within five days of the establishment of the date of elections, by:

- the government, for county councils;
- county mayoralties for municipal, town, and communal councils deputies.

Article 80—The mayoralties in charge of the local councils for which there are to be elections will delimitate, number, and publicly announce the electoral constituencies for the election of deputies to local councils, within 10 days of the establishment of the date of elections.

Article 81—County, municipal, town, and communal offices, as well as constituency electoral offices will be established for each category of councils to ensure proper election of local councils.

Article 82—The electoral offices will have the following composition:

- county electoral offices, nine members;
- municipal electoral offices, seven members;

- town and commune electoral offices, five members.

The members of the electoral offices envisaged under paragraph 1 are elected by drawing from among one representative of each party, political groups, civic organization, or independent candidates running in the election.

The names of the representatives are communicated to the president of the county court, and the drawing and formation of electoral offices are done at the mayoralties of the localities where elections are to be held, under the chairmanship of a person designated by the president of the county court.

Article 83—The constituency electoral offices are established as follows:

- nine members to elect deputies to county councils;
- seven members to elect deputies to municipal councils;
- five members to elect deputies to town and communal councils.

The provisions of Article 82 paragraphs 3 and 4 are implemented accordingly.

Article 84—The constituency electoral offices will appropriately fulfill the duties listed under Article 35 paragraphs a-e.

The reports showing the results of elections, challenges, and appeals and the reports received from the electoral offices of polling centers, as well as a complete file of the elections will be submitted to the communal, town, municipal, and county electoral offices.

Article 85—The county, municipal, town, and communal electoral offices have the duty to:

- supervise the timely drafting and posting of voters lists, and announce them publicly;
- supervise and ensure legal registration of candidacies at constituency electoral offices;
- handle challenges and appeals concerning the operations of constituency electoral offices;
- check and record the results of the elections held for local councils;
- designate deputies to ensure representation of the nationalities;
- forward the electoral files to communal, town, municipal, and county mayoralties to send them in for validation to the newly elected local councils.

The communal, town, and municipal electoral offices will forward one copy of the report drafted to the county electoral office. The other documents and material will be remitted to the court to which the commune, town, or municipality belongs.

Article 86—The provisions of Title I, Chapter II, Section 3 concerning "Voting Centers;" Section 3 concerning "Electoral Lists," articles 38 and 39; Section 6 concerning "Ballots," and Chapter III concerning "The Elections" will also be applied to elections for local councils.

Article 87—Voters will cast their ballots for the appropriate local councils at the same voting center where they vote for Parliament and for the presidency.

Article 88—The provisions of Articles 40-42 paragraphs 1-3 also apply to candidacies for local councils; the responsibility of recording challenges and appeals concerning candidates for communal, town, and municipal councils with the appropriate court and resolving them falls on the court in whose precinct the electoral constituency is located.

Upon expiration of the candidacy registration term, the electoral offices will announce the candidates in keeping with Article 43. The next day after the expiration of that term, the communal, town, and municipal electoral offices are obligated to forward the list of candidates to the county electoral offices, and the latter to the Central Electoral Office.

Article 89—The results of the ballots are computed according to Article 58. After the ballot boxes are opened, the chairman of the voting center will draft a report in two copies for the county council or the municipal, town, or communal council, as the case may be, in which he will describe the polling procedures, indicating the number of votes won by each candidate. The provisions of Articles 59 paragraphs 2 and 3; Article 60, and Article 61 paragraph 1 apply to these situations, too.

The communal, town, and municipal electoral offices will forward one copy of the reports received according to paragraph 1 to the court to which they belong. The county electoral office will forward the report to the county court. The candidates may obtain notarized copies of those reports.

Article 90—The results of elections for local councils are centralized and noted in accordance with the provisions of Articles 62, 63, 65, 66, and 67 paragraph 1.

The communal, municipal, and county constituency electoral offices will remit the reports listed under Article 66 to the electoral offices of the respective territorial districts, together with the challenges and appeals received, putting together files closed, sealed, and signed by the electoral office members. The reports received from the electoral offices of voting centers will also be forwarded.

Article 91—The county electoral offices will handle challenges concerning the operations of constituency electoral commissions, centralize the results for the entire county, and draft a report on the election of the county council, which will show:

A) The total number of voters for the county council, according to the voters register;

B) The total number of ballots cast;

C) The number of void ballots;

D) The number of ballots cast for each candidate, and the candidates' first and last names.

The report will be signed by the chairman and office members in the presence of whom it was drafted. One copy of the centralized list and report envisaged under paragraph 1 will be forwarded within 24 hours to the Central Electoral Office, while the other documents and materials will be deposited with the county court.

The provisions concerning the report envisaged under paragraph 1 will be duly applied to elections for municipal, town, and communal councils, too.

Article 92—The results of the elections will be published in the press by the county electoral office.

Article 93—The following steps will be taken to ensure proportional local representation of all nationalities:

A) The organizations that represent each national minority at a local level will draft, in keeping with Article 13, lists of persons that will be designated, if necessary, as deputies, for the purpose of ensuring the representation in local councils of national minorities with a population at least equal to the representation norm established as per Article 78, at county, municipal, and communal level;

B) The lists will be forwarded separately for the local county, Bucharest municipal, municipal, town, Bucharest sectors, and communal councils to the county electoral offices by the date of expiration of candidacy registration.

Candidates running in the election may not appear on the lists.

The lists will show, in the preagreed order, the first and last names, address, and nationality of the persons proposed, and will be signed by the leaderships of the organizations that represent the respective nationality as per point A;

C) For the Romanian nationality of a size at least equal with the representation norm established in keeping with the provisions of Articles 78 and 79 at county, municipality, town, or commune level, the list of personalities from economic, social, and cultural walks of life from the respective county and localities, will be compiled and registered by the county court;

D) Should the composition of the county, municipal, town, and communal councils not reflect the proportion of the nationalities within the total population of the

county or locality, the county electoral offices will designate as many deputies as needed from the lists envisaged under points A, B, and C, in the order of their appearance on the list.

For this purpose, all the deputies elected will officially declare their nationality.

The county electoral offices will forward the lists of deputies designated to the newly elected local councils.

Article 94—The local councils will be legally convened in a first session within 20 days of election day, under the chairmanship of the eldest deputy elected and will elect from their membership a validation commission made up from representatives of several parties or political groups, as the case may be.

The duties of the newly elected local councils are those envisaged by law, and they will discharge them provisionally in accordance with the Constitution until new elections.

FINAL AND PROVISIONAL REGULATIONS

Article 95—Electoral expenses will be covered out of the state budget.

Any documents drafted within the exercise of the electoral rights envisaged in the present law will be exempted from registration tax.

Article 96—The following offenses will be punished by six months to five years imprisonment and deprivation of certain rights:

A) Interference of any kind with the free exercise of the right to vote and to be elected;

B) Any tampering with electoral operations or falsification of results.

Attempted offenses will also be punished.

Article 97—For the purposes of the present law, the term "magistrates" refers to judges and prosecutors.

Article 98—Court trials of challenges, appeals, or any other requests envisaged in the present law will proceed in accordance with the law provisions concerning presidential ordinances, with the compulsory participation of a prosecutor.

Article 99—Electoral Law No. 67/1974 and all other regulations running counter to the present law, are abrogated.

New Romanian Education Minister Backs Students

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[Article by Emmanuelle Boulestreau and Elisabeth Levy: "The Philosopher as Minister"; first paragraph is LE MONDE introduction]

[Text] A respected metaphysician, the new minister of education wants to change Romania's schools in the spirit of revolution unleashed by the students.

Mihai Sora, the new minister of education in "Liberated Romania," appointed on the last day of 1989, has had only a few hours of sleep in a week. His eyes and speaking manner are lively. He wears a suede jacket and a shirt unbuttoned at the collar. The 73-year-old intellectual seems quite surprised to see himself in this office. "He can be unsociable, not at all political and you will never make him wear a tie," says a friend of the family, Severine Gutieres, with a smile. For now, inside the colorless walls of the ministry building, he is sizing up the Herculean task that awaits him: To restart the education system and research, which were "brought to a standstill," he says, "out of a devious desire to dull the minds of the people using excessive centralization and ideology taken to an extreme. The task is generally believed to be a 10-year undertaking.

An essayist and philosopher who is little known outside of intellectual circles, the minister is said by those around him to be an old dissident. He speaks French at a fast pace with only his singsong accent indicating that he is not French. He knows France well. After earning an undergraduate degree in Bucharest where he studied under Mircea Eliade, he won a prize in a French literature contest sponsored by the French Embassy and moved to Paris to begin his doctorate in 1939. He spent the war years in Grenoble where his first two children were born, then returned to Paris and published a book on metaphysics.¹ To the surprise of all his friends, he decided to return to Romania. "He could have had a great university career in Paris," says Cioran who knows him well. "He spoke perfect French, but it was the language—such a mysterious thing, language—that attracted him in Bucharest." 30 years later, when his family took advantage of the "thaw" following the Helsinki accords to move into exile, Mihai Sora refused to leave Romania, even though the regime was already beginning to turn into the blood-thirsty caricature that it would become in its final years. "Dozens of times I tried to keep him with us, but to no avail," says his 44-year-old son, Andre, who lives in Paris. During the 1960's, he oversaw state publishing where he managed to print the works of banned poets. "He is extremely diplomatic," confirms his wife, Mariana, who settled in Munich. "That is how he managed to escape censorship."

As is true of many of his colleagues, this is not his first encounter with public affairs: At the beginning of the

1970's, he was made an adviser by the minister of culture and education at that time, Andre Maliza. After Maliza's fall from favor, Sora stayed on at the ministry as the director of university libraries. "Despite his convictions, he wasn't able to do much there," says Radu Toma, a French literature professor in Bucharest. After retiring in 1976, he devoted himself to his research and published several books. "They were not really meant for the general public," says Cioran. "I don't know if he is a good administrator, but he is one of his country's best minds—slightly skeptical, but very positive." He is going to need that trait to get the system going again.

Priority for the Secondary Schools

Mihai Sora, supported by a team of civil servants since the beginning of the week, will have to take on everything at once, from the nursery school to the university. He is not lacking in enthusiasm. "Immobility will become social mobility," he asserts with exhilaration. He is already thinking about incorporating management schools in all the economics departments, modeled after the one in Bucharest. Another issue is research: "Cut off from all contact with the outside world, research has been strictly limited to applied research," he laments. "We must rebuild fundamental research." But secondary education will be the keystone of reform. "The secondary school must be given back its educational role. It was merely filling 'childlike' minds with old technologies and outdated information," the minister storms.

In the short run, classes will resume as usual on 14 January, "except for the changes imposed by pressure from the revolutionary people," he stipulates. Ideology classes and the so-called practical internships at the secondary level will disappear, and a group of intellectuals has offered to give instruction in democracy. But the structural changes will not be made until September. While pointing out that he is only a transitional minister, Mihai Sora declares himself in favor of autonomy for the universities, "providing that autonomy is fought for and not simply granted." The problem of selection is not an immediately relevant issue. The students are feebly demanding a less rigid selection system, but they are not making it a point of honor. "For now," says one student, "let's organize unrigger competitive exams!" The minister himself seems more eager: "In some university departments, we will certainly replace the entrance exams with regular checks along the way, which are not as detrimental to the emotional student."

In any case, despite his persistent refusal to teach, he is clearly liked by the many young people who come to see him during these troubled times. The esoteric nature of his field makes him an almost unassailable figure and his gruff kindness takes care of the rest. "I was surprised to see how popular he is with the students," says Severine Gutieres. "We watched Sunday's demonstration on television and saw him enthusiastically applaud their demands." What a strange country, where the education minister expresses joy at seeing students in the streets.

Footnote

1. "Du Dialogue Interieur—Fragments d'une Anthropologie Metaphysique" [On Inner Dialogue. An Incomplete Metaphysical Anthropology], published by Gallimard, 1946.

Romanian Students Seek Overhaul of Universities

90EB0199A Paris LE MONDE in French
11 Jan 90 p 13

[Article by Emmanuelle Boulestreau and Elisabeth Levy; first paragraph is LE MONDE introduction]

[Text] At the forefront of the battle for freedom, the students now have two goals: to transform the education system and to retain control over "their" revolution.

Competitive exams and elections: The Romanian students, who are novices at democracy, are placing their full trust in these two mythical principles of the revolutionary lexicon. The students, who used to be called "Ceausescu's children" out of resignation, considered by adults to be incapable of rebellion and political thought, have been a constant source of surprise. They fought in Timisoara, then in Bucharest; in a matter of days, they swapped their freedom fighter look for the look of responsible managers. As the organizers of the largest post-Ceausescu political demonstration on 7 January at the Bucharest Polytechnic Institute, they seem to have learned all about democracy in just two weeks. Novices at the difficult art of union activism, they are already planning to federate the countless student committees that were born in the tumult of revolution into a coherent system. On 15 January, 35,000 youths from all over Romania will converge on the capital to hold their first free national congress and select representatives.

On the surface, they may not seem to be asking for much—just "the means to study seriously"—but the students know they are asking for everything. To rescue the Romanian university after 24 years of rule by "the Danube of thought" and "the country's top woman scientist," they will have to wipe the slate clean of the past.

Ideology, the most deep-seated scourge in Romanian education, not only invaded school curricula from preschool on up and dulled Romanian minds; it also resulted in an almost completely ineffective education system. For example, under the guise of providing professional training to secondary students who failed the entrance exam for admission to the university (where there was room for only one in five or 10, depending upon the subject matter), Ceausescu instituted a split schedule, dividing study time between internships at companies and general courses. "The immediate result was that the students' educational level suffered and poorly trained young people entered the factories," says Michaela Slavescu, a retired professor and member of the Writers' Union. Another consequence was the strong development of a network of alternative education, often

high priced. "Students came to me from as far away as Brasov or Timisoara to learn French," Michaela Slavesco recounts.

Censorship and Moliere

At the university, conditions deteriorated in different ways, depending upon the subject matter. "In the sciences, most of the damage was caused by a near total break with the outside world," says Razvan Theodorescu, nicknamed "the professor-soldier" by the students with whom he rode in a tank during the fighting. Many orders were placed for foreign journals in the regime's early years, but they were soon banned. Money for supplies dried up, leaving most scientists to work with their bare hands. "In all of Bucharest, there is only one scanner," remarked Lucia Popescu, who struggled to save medical documentation from ruin. Research suffered when it was deliberately removed from the university and made subordinate to contracts with state-controlled firms. Applied research became the only form of research possible and it had to conform strictly to the state's aims. A research institute headed by Elena, herself, is the only vestige of a supposed interest in fundamental research.¹

The classics, the "Conductor's" preferred target, suffered primarily from the ideological yoke imposed by the state. However, some professors managed to keep up a certain degree of dissidence, by exploiting the cracks in a grotesque system. For example, they would stage plays open to two interpretations. "The censor gave us permission to put on 'Le Bourgeois Gentilhomme' without realizing that it was veiled criticism aimed at the 'Conductor'," remembers Dolores Ioma with a laugh. She is a professor of French at the university of Bucharest. Few visas were granted for travel abroad, but their recipients made the most of them. "We kept abreast of evolutions in Western theories through contacts with individuals," art history professor Razvan Theodorescu proudly states. "Besides, Romania is one of the only countries in the East where all the major history literature has been published. The paper may have been ghastly and the illustrations unrecognizable, but we had Duby and the entire set of the *Annals*."

It is a miracle, in fact, that a good standard was kept up in many of the disciplines, despite the systematic disorganization. In every field of thought, it is possible to find intellectuals and professors who, through one sacrifice or another, managed to maintain the tenuous thread that connected them to "Western intellectual life."

In the shorter term, the students expect improvements in their living conditions: fewer hours in the classroom, fewer students per class. There is a familiar ring to it all.... But first and foremost, they are demanding "the elimination of ideological and political courses that are unrelated to their subjects of study," and "university autonomy from the government." Under Ceaucescu's rule, even though enrollment had stagnated for several years at about 200,000 students, young graduates were required to spend the first three years of their working life in a village performing a job that had nothing to do with their training or the needs of the country. They are demanding that a competitive exit exam be instituted so that "a graduate will be assigned to his first job on the basis of merit alone."

Practical Internships Under Fire

The same thinking led to the requirement that students participate in "practical internships," which generally meant working in the fields or in factories at tasks unrelated to their course of study. The students are demanding that they be done away with immediately.

But once the consensus-making euphoria of December's heady days had passed, a new conflict emerged: the generation gap. Short of wording it as such, the students are protesting the gerontocracy. They are not entirely wrong. In Bucharest, for example, the majority of professors are well over 50.... Protected by their renown (or by their adaptability), many of them survived the regime without too many scars. It should be noted that under a reign characterized by absurdity, cowardice was no more often rewarded with privileges than courage with suffering.

Draped in the glory of their martyrs, the young people have no intention of being dispossessed of their triumph. In a smoke-filled room at the school of philology which has served as headquarters for the local organizers since 22 December, suspicion hangs in the air. "The professors will have only an advisory voice on the student committees," affirms a philology student in Bucharest, Iulan, as he pulls himself from a makeshift bed, his eyes still puffy with sleep. "We do not want to be infiltrated...." The going promises to be tricky in the days ahead.

Footnote

1. An article entitled "Elena and the Sciences" by Jean-Paul Dufour was published in the Science and Medicine section of *LE MONDE* on 3 January.

GERMAN DEMOCRATIC REPUBLIC

FRG Expert Interviewed on Economic Reform

90EG0127A East Berlin WOCHENPOST in German
Vol 36 No 52, 29 Dec 89 pp 16-17

[Interview with Dr. Doris Cornelsen, head of the GDR Department at the German Institute for Economic Research, by Hannes Wagner: "Shock Therapy Pure and Simple?"; date and place of interview not given]

[Text] [WOCHENPOST] You have been an observer of economic developments in the GDR for many years and predicted the present crisis a long time ago. Do you feel your views confirmed?

[Cornelsen] That is somewhat exaggerated; I do not suppose that anyone foresaw this exactly. But, if you like, developments in the GDR are "guilty" of having made me a convinced market economist. The constant refinement of the GDR's planning system ultimately proved only that it is unusable for a developed industrial country. Still, in the age of the Brezhnev doctrine it was sometimes quite a revelation to see how the GDR managed to handle itself within the Eastern Bloc.

Since 1985, though, they no longer understood anything—when the GDR missed its great opportunity to join Gorbachev's reforms. On the contrary, at the Eleventh SED [Socialist Unity Party of Germany] Party Congress, the SED leaders cemented the old and obsolete ways, calling that policy "continuity on the tried and tested course." At that time it would still have been possible to tackle longstanding problems by streamlining, while holding on to the initiative and ultimate control.

[WOCHENPOST] In times of crisis people tend to question everything at once. Do you consider the entire period under Honecker to have been one of total mismanagement?

[Cornelsen] It seems to me that the morale in your country is worse than the economic situation. The problem may consist in the fact that, in a situation where the German-German border is open, people tend to always compare the economy and its competitiveness, the purchasing power and the supply of goods, the state of roads and cities, the telephone network with the situation in the Federal Republic. At the same time they fail to note that not everything is wonderful with us, either. People do not consider how the GDR fared in comparison with other socialist countries, in the kind of conditions the GDR had to accept until Gorbachev arrived. Looked at it this way, the GDR managed well, even with respect to the standard of living.

In the GDR everybody has enough to eat—indeed usually too much. Basic supplies are reasonably assured, households better equipped than they used to be, industry and agriculture producing. There certainly is no

catastrophe, although the SED and its total planning were actually heading that way.

[WOCHENPOST] How do you assess Guenter Mittag, the former helmsman?

[Cornelsen] I would be most interested to know what went on inside his head in all these years. In the 1960's he rose to prominence as the cofounder of the then new economic system. This aimed at getting enterprises to take on more responsibilities and at reducing the volume of plan targets. The experiment was discontinued upon the changeover from Ulbricht to Honecker in 1971. Why? There never was a proper explanation.

In any case, strict centralization and planning prevailed. When Mittag was reappointed secretary for the economy in 1976, he did introduce some of the elements of the new economic system. But he retained the framework conditions of planning and balancing: A dictatorial system of targets and allocations all the threads of which came together at a single desk with a fatal profusion of power. Guenter Mittag claimed the chair in front of that desk.

[WOCHENPOST] What, briefly, do you consider the dilemma of the GDR economy?

[Cornelsen] The nonsense of total planning. The enterprises get their targets from above; in fact the volume of targets was expanded even more in the 1980's. They are allocated money and materials. How is a bureaucratic apparatus to know when and where something may be needed? How can anyone command such things as countrywide innovation rates? How can anyone compel every enterprise to embark on consumer goods production, regardless whether it mines brown coal or builds homes?

The enterprises evidently aim to fulfill the plan, because they are judged by fulfillment, and because, ultimately, bonus payments depend on it. It is therefore most desirable to turn out whatever had always been produced, because in that case all production conditions are known. The result is the neglect of demand, quality, profitability, and genuine innovation. Indeed, enterprises knowingly manufacture unsaleable goods, because products in demand presume effort, costs, and retooling and thereby threaten plan fulfillment. Generally this means waste of materials and manpower.

[WOCHENPOST] The former economic leaders praised the "top world standard achievements" of GDR microelectronics. Do you consider such ambitious plans to be no more than a costly show at the expense of other economic sectors?

[Cornelsen] You cannot quite put it this way. Numerical controls are on the NATO list of banned exports. In matters of microelectronics, therefore, the GDR was compelled to go in for its own and expensive developments. This obviously was at the expense of other sectors

and, up to now, did not yield broad enough developments. A microchip does not amount to electronic machine control. Moreover, the GDR on its own needs to produce almost the entire range of industrial products. This has not been the case in the Federal Republic for the longest time. We are involved in the international division of labor. Sectors such as shipbuilding and steel production declined, and so did the textile and footwear industries. Though that made for social problems, it resulted in our concentration on sectors with greater productivity.

The GDR is too small to aim at economic self-sufficiency. The distribution of investments consequently resembled a tug-of-war for a cover that was too short to begin with, meaning that some sectors are bound to get left with empty hands. As a result some industrial enterprises look almost the same as before World War II, with respect to both buildings and plant. Many capacities are so worn out and obsolete that breakdowns and interruptions of production are inevitable.

[WOCHENPOST] Yet leading GDR social scientists think that any withdrawal from planning would be tantamount to the abandonment of socialism?

[Cornelsen] I would first have to know their interpretation of socialism. I see it as a great humanist ideal: A society without exploitation and instead social security and equal opportunity for all. That is a wonderful human dream, but it was completely shattered in the past 40 years by exactly those people who called themselves communists.

Socialist ideals can be realized only if the economy is efficient. Such efficiency, though, is attainable only by way of the market economy, whatever its attributes. Planning is not an essential element of socialism. It is a mechanism introduced in Stalin's time to dominate society. This mechanism now needs to be abolished.

[WOCHENPOST] Assuming you were the GDR's economic adviser, what would you propose to the government?

[Cornelsen] I believe it is imperative for the GDR, following this shock, to rethink economic policy on its own and independently. We should refrain from giving advice. Especially because we are convinced that the GDR has no alternative to doing exactly the opposite of what it did before—that is, to replace total planning by the market economy and competition. In the first place the price system needs to be changed, and many large, small, and medium enterprises, including private companies, should be given an opportunity to flourish. That is not going to happen from one day to the next, and it is bound to involve adjustment problems, both for people and enterprises with their old structures. This is why the political reforms now initiated are so important, because they must provide new motivations for an economic transformation.

[WOCHENPOST] How do you explain the fact that workers in the GDR, claimed to be cooperative owners of the means of production, are not really motivated by awareness of their ownership?

[Cornelsen] The term "people's property" has been debased and turned into a mere formula. The people's ownership of property was intended to prevent economic power from being concentrated in only a few hands. However, eventually only very few people ruled the economy and politics almost unchecked. It would be quite feasible to genuinely let people share in the national property, for instance by issuing low denomination shares for small savers. Anyway, 40 years in the GDR have definitely proved that competent management of the enterprise is more important than the word "VEB" [state enterprise] inscribed above the entrance.

[WOCHENPOST] Do we then really need new private enterprises?

[Cornelsen] All our previous experiences demonstrate that nothing provides better motivation than private ownership. The initiatives radiating from it will revitalize competition and enlarge the market. It will be necessary therefore to lift the limitation to 10 employees for private enterprises. Also required is a new taxation system. A retailer or caterer pays 60-percent taxes on a monthly income of as little as M 3,000, the 90-percent top tax rate is completely absurd. Such rates stultify personal initiative.

[WOCHENPOST] Do you foresee any future for the combines at all?

[Cornelsen] Combines may well be the backbone of planning, they are unsuitable for a performance society. In terms of the law, their dissolution would present no problem, because the combine decree speaks of independent enterprises. Combine directors will presumably offer some resistance, but the power of individuals must be curbed in business as well as politics. Exceptions, for example in the basic materials industry, can certainly be discussed.

[WOCHENPOST] Still, the arguments for the establishment of combines did not only concern greater ease of planning but also improved opportunities on international markets.

[Cornelsen] We have plenty of evidence that this argument is faulty. Even machine construction, once upon a time the outstanding sector, is now in trouble on Western markets. In the early 1980's it took M 2.40 to earn DM1 in exports, now it needs M 4.40. Year by year the combines experienced greater difficulty in fulfilling the plans, though the world market flourished.

[WOCHENPOST] How do you intend to persuade the critics of market economic competition?

[Cornelsen] Is that still necessary? After all, competition has a healing effect: When an enterprise is less able than others to sell its products, it must make greater efforts.

Profits and innovation potential depend on turnover. No such impulses, though imperative, exist in the GDR. Many of the roughly 130 centrally administered industrial combine cover entire industries.

Nor does all that balancing make sense. Up to now, enterprises were allocated their primary services, means of production and manpower in accordance with the production plan. This method made for waste and entirely uneconomic hoarding. The enterprises claimed excessive requirements, fearing production holdups that they could not help.

I was always taken horrified by the sheer volume of materials heaped up in and in front of GDR factories, often deteriorating right there. Far too many people were employed to maintain obsolete capital equipment, with the result that materials and energy were wasted. In view of the very real shortages, it makes no economic sense at all to use labor and capital for unprofitable production. All this will finish once competition makes costs and profits the criterion.

[WOCHENPOST] What do you think of a currency reform in the GDR.

[Cornelsen] It is unrealistic to take the Federal Republic's currency reform as an example. Such a reform makes sense only when the money actually in circulation is no longer accepted as a medium of payment and store of value. In other words, when people no longer take it to the savings bank for future spending. When we did it, we had the so-called cigarette currency: Tobacco as the medium of payment.

While not being the best currency, the GDR mark is not the worst, either. I do not consider the so-called excess purchasing power to be particularly great. This issue should no longer be on the agenda. In fact, the GDR Government has already confirmed the safety of savings accounts. After all, once uncertainty has been stimulated, a currency may well be talked to death.

If anything needs to be reformed, it is monetary and credit policy. Savings, for instance, are repayable daily. In fact, therefore, these deposits are like cash. Why are there no long-term loans at high interest rates? They would mop up excessive purchasing power. So would low denomination shares for small savers or home ownership.

[WOCHENPOST] Still, there is concern about the rate of exchange.

[Cornelsen] That is true. The rate of exchange is one of the most ticklish questions at this time. The miserable rate paid for the GDR mark in our exchange bureaus simply reflects supply and demand. A "proper" rate of exchange arises in foreign trade. In the GDR, though, there is no such rate. The GDR purchases and sells in Western countries for the currency of these countries; the enterprises are then paid for their exports in GDR marks. It will be absolutely necessary to reconsider the

sealing off of the domestic market. A convertible currency, at least within certain limits, is needed, and the State Bank will have to fix and supervise its exchange rate.

[WOCHENPOST] What might such a "proper" rate of exchange look like?

[Cornelsen] Given the fact that the GDR currently needs to spend more than M 4 to earn DM1 in foreign trade, I would consider a 5:1 rate to be realistic—the rate fixed for future travel to the West by GDR citizens. Incidentally, such a rate would help bring some clarity to GDR foreign trade. Unprofitable exports would surely be stopped.

[WOCHENPOST] Up to now the DM25 payable by any federal citizen upon entry to the GDR have been an important source of foreign exchange.

[Cornelsen] That may well have been so. But in future the GDR will have to make an effort to fix and stabilize a single rate of exchange for all business relations. Tourism for Western visitors can certainly be expanded. It does not necessarily imply a need for new hotels. Many visitors from the West would quite like to spend a weekend or so in the GDR and stay in private homes. Incidentally, so would I. All that is lacking is a legal provision to that effect and, possibly, a room rental agency in every town. In that case, a demand for GDR marks will be created, and that would benefit the standardization of the rate of exchange.

[WOCHENPOST] You do not foresee a threat to a bloodletting for the GDR?

[Cornelsen] The GDR would be impoverished only if federal citizens were to devour your largely subsidized goods. Once prices conform to costs, your economy can only benefit from federal citizens buying their rolls in your country.

[WOCHENPOST] You consider price reforms and the abolition of subsidies to be vital. Will they not have the hardest impact on low earners?

[Cornelsen] They will have a hard time, but it is simply not feasible for 20 percent of the state budget to be spent on subsidies, and for everyone to profit thereby. The adjustment of prices to costs will have to proceed gradually. Low income recipients will have to receive some compensation, for example with respect to pensions and child benefit.

I am told that the housing administration proposes to initially introduce a split in rents. In other words to fix a low rent for basic living space and impose a much higher rent for every square meter over and above that minimum.

[WOCHENPOST] Do you advocate a considerate or shock therapy?

[Cornelsen] I am sure that many will plead for a cautious approach to price reform. In view of the fact that such a process is bound to be painful as well as pleasurable, I advocate the briefest possible curative treatment. There is no way that anyone can prescribe the "proper" price from an office desk. The market offers the only possibility for arriving at sensible prices. Any administrative interference prolongs the stage of wastefulness.

If the GDR wishes to maintain its identity (and I also would welcome that), it does not have much time. This would suggest shock therapy: Pure and simple. All important reforms might well be initiated within six months or so.

[WOCHENPOST] There has been talk in the FRG that, given Western management and capital, it would not take 10 years to bring the GDR up to scratch.

[Cornelsen] We have no previous experiences to back up this kind of calculation, but much may well work far more quickly.

[WOCHENPOST] What would you consider persuasive conceptions for economic aid that do not subject the GDR to the power of outside money?

[Cornelsen] Initially the Federal Republic needs to take rapid and flanking measures to help the reforms, and these are being discussed. They include the infrastructure—that is, the communication network, the railroad, roads and environmental protection. Next will be the private firms interested in the GDR. They are aware of the pent-up demand for merchandise and of the good workers in the GDR. Increased cooperation relations including joint ventures do, however, presume a legal framework—and, in my opinion, an enterprise statute to settle employee codetermination.

[WOCHENPOST] The holes in the wall have inspired many West German entrepreneurs to the fantasy of transforming the GDR into an object of speculation in order to later bit by bit swallow the damaged neighbor.

[Cornelsen] No decent person would wish for reunification by such means. As a matter of principle, none of our European neighbors wishes that either. However, a future federation of the two German states would certainly be meaningful for Germany and also for Europe.

First of all let us seriously reflect how to aid the GDR to preserve its identity. A weak GDR offers incalculable dangers. In this context I am merely thinking of the stream of emigres and even more departing manpower. That alone helps the realization that it is in our own best interest to help stabilize developments.

[WOCHENPOST] The revolutions in Poland and Hungary involved painful price increases for basic foods, supply gaps, dying industries, inflation, new rich speculators, and even unemployment. Is it possible for the GDR to avoid these threats?

[Cornelsen] The GDR is definitely a capable country with an old industrial tradition and a good system of education and training. Most of the skilled workers, middle management, and enterprise directors know what they are doing. In short, the preconditions in the GDR are very much better than in Poland and Hungary, except for one special feature: The open border. It will therefore be even more important to tackle reforms decisively rather than halfheartedly. The GDR has a unique opportunity for creating a new society and a new economy. It will have to concentrate on this goal with all its strength.

Market Forces Determining Course of Economic Reform

90EG0137A Duesseldorf *HANDELSBLATT* in German
8-9 Dec 89 p 6

[Article by Hans Mundorf: "The Planned Reform?"]

[Text] The "task force for economic reform of the GDR State Planning Commission" has presented a discussion proposal for a radical change, also, of economic conditions in the GDR. This proposal contains introduction of market economy elements into the GDR economy, in gradual planned-economy doses. But significantly, the concept "market economy" is nowhere to be found. Rather, an attempt is being made to save whatever can be saved of socialism.

To pass judgment in advance: This rescue attempt will cost time and effort, but the SOS cruisers are too late: The Titanic of socialism already lies deep at the ocean bottom.

Continued Dominance of State Ownership

The Planning Commission has realized that it will have to permit the most divergent forms of ownership. At present, the 1974 GDR constitution recognizes only "socialist ownership" of the production means, and that is either "total society's national property," or "cooperative joint property," or "property of societal organizations," such as the trade unions (also see *HANDELSBLATT* 29 Nov 1989). The GDR constitution does not even recognize "private property" as a concept, only as "personal ownership" of consumption goods.

According to the planners' proposal, "national capitalistic property" and "participation of foreign capital within the framework of joint stock companies, companies with limited liabilities, or other forms" are also to be permitted in future. But the "dominance of societal ownership is to remain an essential principle of our socialist economic policy." State property is not to be privatized, only collectives such as [factory] staff and communities are to be permitted to participate, whereby stocks can also be the bearers of such collective rights. Thus foreign capital could share in these enterprises only under the control of continued "dominant" state property.

But in return, these enterprises would be permitted free movement in the market; they would be allowed to make profits (in the language of socialism, these are the "means of their reproduction") in GDR marks and foreign currency; they would be allowed to determine the wages and salaries of their staffs within the framework of collective wage agreements to be negotiated between the ministries, the trade unions and the economic units. So there are even overtones of autonomy in negotiating wage rates.

And last, state economic policy is to be "deadadministered," but evidently is to retain its power of issuing guidelines, for example, for pricing and for loan and currency policy. The set of tools for purposeful state intervention is to remain, only it is not to be applied universally any longer.

In some GDR circles there exists the idea of cooperation of "socialist as well as private entrepreneurship," in which the socialist entrepreneur would naturally remain master in the GDR house.

And above it all would rule the "democratic control of the people" with regard to the "socialist orientation of production." A condition of "economic irresponsibility" is passionately rejected, which would favor "subjectivism and voluntarism"; these terms apparently are still being used as swearwords in the GDR.

But subjectivism and voluntarism are exactly what are happening in the GDR at present: Only following their own volition, infringing against the hitherto *raison d'etat*, millions of people are on the move, open up borders, find a realistic exchange rate for the two currencies involved, organize their economic relations, disregard all commands of the planning bureaucracy. Hence it is moot to even talk about the planned reform of the GDR economy. With the opening of the borders to this side, and soon to the other side, there exists only the law of the markets, no matter how great the difference between these markets may be.

Thus a reform of the GDR now is only possible through freeing and supporting these market forces: for example, the state should give up its power of setting guidelines for prices, which should be able to form freely on the market for all goods; which would mean renunciation of subsidies for goods and services which satisfy basic needs. If the divergent price structures on the West German and East German markets were to continue, with borders open to both sides, it would actually lead to the dreaded sellout of the GDR or the displacement of GDR citizens from the services of their own country, unless the GDR were to monopolize the sale of GDR marks for D-Marks and force a false exchange rate.

Cut in Currency and Decontrol of Prices

But even with the help of the FRG, monopolization of the foreign currency market could no longer succeed: Among the citizens who now meet daily, the GDR mark is already convertible. And even the GDR will no longer

be able to introduce draconian penalties for foreign currency offenses by the man in the street. Hence the solution can only be found in decontrol of prices. The FRG knows from its experiences with Europe that a common market without borders is not conceivable without such a minimum measure of harmonization.

The other inevitability, which even a planned reform cannot prevent: Together with price reform, the natural exchange rate between D-Mark and GDR mark must be stabilized through reduction of the excess of GDR currency. As long as this excess causes downward pressure on the currency, the GDR with its supply of goods and services will remain the "cheap peddler."

And last: The GDR needs the private capital of the FRG so that its economy remains competitive. This capital will not flow as long as it is to be "domesticated" over there in the socialist sense.

Officials on Measures Designed To Aid Small Businesses

90EG0105A East Berlin DAS NEUE HANDWERK in German Dec 89 p 3

[Interview with Klaus Lohsse, Ministry for Light Industry, and Martin Maassen and Guenther Hildebrandt, Ministry of Finance: "Many Questions—First Answers"; date and place not given]

[Text] The coalition government will exert its influence to see that trades and businesses can continue to develop and find greater social recognition. It will be necessary to create the necessary financial and social conditions step by step. Simultaneously, there will be a need for new legal regulations for the work of cooperative and private trades in our country.

The most basic demands and expectations, which many tradesmen have expressed in letters to the editor, will be addressed in the initial determinations of the Council of Ministers. As a democratic forum, we at the newspaper want to help to advance this process and we will continue to accept their experiences and suggestions.

Our readers also tell us that in everyday life a great many things are still at sixes and sevens, legal regulations that are still in effect are being arbitrarily overturned. That is not an acceptable path for the majority of democratically minded tradesmen.

Responding to our readers' questions, we asked Klaus Lohsse, from the Ministry for Light Industry, and Martin Maassen and Guenther Hildebrandt, from the Ministry of Finance, to explain the measures introduced by the Council of Ministers.

[DAS NEUE HANDWERK] One of our readers prevalent demands is the creation of an independent organization for trades!

[Klaus Lohsse] There is no objection to that from our side. The Chambers of Tradesmen, given their present

structure, their rights and obligations, are not in a position to deal with the future needs of the trades, particularly in regard to broad democratic participation on the part of tradespeople. For this reason, we are grateful for the numerous suggestions that have come in from the professional groups, the executive board of the PGH [Craftsmen's and Tradesmen's Production Cooperative] and Kreis offices, to band together in a tradesmen's organization. The inevitable consequence is that the previous statutes, which provide for an nominating function for the committees and the chairmen, will become invalid, and new statutes will replace them. One of the things which these statutes will establish is the election of the trades representation.

The 15 chairmen of the Chambers of Trade have proposed to the coalition government that they should have the appropriate proposals drafted. The drafts will then be discussed at length with the tradesmen so that they can be presented to the Council of Ministers of the GDR in the first quarter of 1990 for a vote.

But only thoroughly thought out and really mature ideas and suggestions will promote development in the trades. It is a matter of greater responsibility for competent and expert decisions to replace state regimentation.

[DAS NEUE HANDWERK] As in the past, the question has come up once again about lifting the limit on the number of employees in private trades. What consideration is being given to this question?

[Klaus Lohsse] The coalition government, going against previous legal regulations, has already authorized Kreis and city councils to approve the employment of more than 10 persons in trade businesses if it is necessary in the interests of supplying the population and to utilize existing capacity fully. The primary contribution of this measure will be that more baked goods and meats will be produced and highly productive plants in other trades will be utilized to greater capacity. The favorable business tax will remain in effect with the new regulation I have just mentioned. This has been the crucial question in the past and it is now.

[DAS NEUE HANDWERK] Is there not some risk that this immediate measure will be applied subjectively in other regions?

[Gunter Hildebrandt] I do not share these fears. The demand for honest and fast services and repairs is growing, the services of craftsmen and tradesmen are in demand more than ever. In the future there is unlikely to be any local council that would like to have its popular representation say of it that it made an incorrect decision concerning trades.

[DAS NEUE HANDWERK] Will that also apply to the granting of new trade licences?

[Klaus Lohsse] I am convinced that it will, particularly since the business laws will have to be rethought. The objective must be a simplified, comprehensible law for

the licencing of business establishments. The professional group managements will have a crucial say in the initial stages of business applications.

[DAS NEUE HANDWERK] There are many indications of deficient and irregular deliveries of material, spare parts and machines. Do you have a comment on that?

[Klaus Lohsse] Addressing this justified criticism, one task for the 1990 economic plan will be to bring about additional improvements in the delivery of machines, tools, material, and customer service vehicles. That includes measures to increase the efficiency of the trade in the means of production with respect to businesses and increasing the efficiency of the ELG [Purchase and Delivery Cooperative], primarily by expanding direct connections with industry, as well as new regulations on the distribution of trade margins. At the same time I would like to point out that the order of 14 August 1989 (Legal Gazette Part I, No 15), which prohibits the supply of industrial consumer goods, spare parts and fittings for craftsmen and business people in the retail trade, has been rescinded.

[DAS NEUE HANDWERK] Letters to us indicate that the interest of PGH members in increasing output is not being sufficiently stimulated. What are the reasons?

[Klaus Lohsse] I see the immediate key in the differing conditions for payment between PGH members and other workers. Particularly compared with state-owned enterprises. That is why the new ministerial decree provides for restructuring the contributions to the reimbursement and consumption funds in accordance with conditions as they have developed. First, that would put PGH members on the same level as comparable state-owned enterprises, for the same output, taking productivity wage development into consideration. PGH's, which can be shown to have a higher per capita output with their actively employed members than the comparable VEB [state enterprise], can be granted an amount exceeding that for the VEB in tax deductible wages. Second, it must be borne in mind that contributions to the consumption fund cannot be stimulated based exclusively on population output. Other premises can be established here; for example, services and repairs as a whole. In the case of repairs to buildings, for instance, we must recognize all work on residential and community buildings, which are important to the regional infrastructure, such as kindergartens, medical, or cultural institutions, right up to needed deliveries of typical craftsmen's work for social contractors.

The additional contribution to the consumption fund, up to 30 percent, should be based on fulfilling the plan indicator for the enterprise (not, as previously, dependent on growth compared with the previous year—Ed.) The additional contributions to the consumption fund should be reduced to a maximum of two indicators, instead of up to six as before, and they should take account of regional requirements exclusively.

So the major concern is to draw up new regulations for funds and the principle of distribution for PGH's. And third, the question of the reserve fund plays a crucial role. The first measure must be that PGH's, per project and exclusive of state plan indicators, have their investments increased from M 100,000 to M 200,000 (for private businesses the amount increases from M 20,000 to M 50,000—Ed.).

[DAS NEUE HANDWERK] PGH committees are demanding greater autonomous responsibility with respect to precisely this reserve fund. Will this be possible in the future?

[Klaus Lohsse] In any event the PGH's will have more opportunities to make an independent claim on their reserve funds for autonomous use. But it must also be said that the previous funds are far from being exhausted. Any expansions should benefit primarily new technology, rationalization, and the provision of vacation amenities.

[Martin Maassen] We think the money from the consumption fund that has been set aside—that is to say, reserve funds—should be used productively, in the investment area. If there is a question of having a free hand with these funds, our understanding is: free in the sense of strengthening the production sphere, collective working and living conditions and, to that extent, bolstering collective property.

[DAS NEUE HANDWERK] Many letters we receive are demanding a revision of the current tax law. What thoughts do you have about that?

[Martin Maassen] Our point of view is that a general reworking of the existing tax laws must come about as an integral part of the economic reform of the GDR. Even more, that we have to develop a completely new tax law. But it would definitely be an illusion to assume that this can be done in three months. The existing tax law came into being historically over several decades and today it satisfies, first of all, social requirements, second new conditions for improved productivity, third the principles of comprehensibility and clarity and finally, perhaps not in full measure, the requirement of fair taxation.

We are prepared to work towards the principle of a new set of tasks, together with our fellow workers from the financial departments of the Bezirk and Kreis councils, in addition to considering suggestions from experienced master craftsmen.

[DAS NEUE HANDWERK] Has this work already begun?

[Martin Maassen] Some of it is already well under way. We start with a comprehensive analysis of the effectiveness of current tax law. We can already state that tax progression is proving to be a major obstacle to greater increases in productivity. In this regard we agree with many of the readers letters.

We must reevaluate the output of the trades. In the future a distinction between output for the population and for social requirements will be unacceptable.

[DAS NEUE HANDWERK] Catch words such as tax progression, tax-free allowance, working spouses. Are there any solutions in sight?

[Martin Maassen] In the meantime, there is a decree pending from the Council of Ministers on immediate measures which will take effect on 1 January 1990, so that a series of allowances can take effect in the spirit of transition regulations, whose effect will be to increase output by reducing the tax progression. In concrete terms this means:

- Effective 1 January 1990, the 10-percent surcharge on taxable profits in private business for production which was not for the population will be dropped. That is in line with many suggestions—or let us say open demands—from tradesmen. Consequently, starting in January, the surcharge on profits tax will be dropped for tradesmen with a profit above M 20,000. This ruling will affect about 18,000 private master craftsmen.
- Starting next year, private master craftsmen will be granted a tax-free allowance in the amount of 50 percent of their increased profit compared with the previous year—up to a maximum of M 5,000. This will affect 52,000 private master craftsmen. We think that this ruling will have the effect of greatly stimulating output.
- In evaluating the contribution of working spouses, our position is that a skilled trade business is a family business and will remain one in the future. A business of this kind, including earned profits, is joint property, jointly earned capital. So we do not think it is sensible to establish a labor law relationship between spouses.

As the next step, based on the present allowance which has been in effect since 1984, we plan to grant a working wife a tax-free allowance of M 2,000, we plan to double this (nontaxable) allowance to M 4,000. We regard this as an interim measure. In the full knowledge that it does not yet satisfy many workers' wives ideas. However, one thing must be stated clearly: economic realities do not permit anything more at the present time.

This ruling affects 27,400 working wives in 82,000 private skilled trade businesses.

[DAS NEUE HANDWERK] Questions concerning the policy on subsidies affect all levels of the population. What ideas do you have on this that would concern skilled trades specially?

[Gunter Hildebrandt] A subsidy policy is not the same as a policy on stable consumer prices. Subsidies will continue to exist, similar to those in health and education.

A number of subsidies are up for reconsideration—both with respect to consumer prices and output from the trades.

We see two sides in the trades:

1. Sheltering the trades from industry prices, i.e., craftsmen will not pay actual economic expenses (material and equipment).

2. Subsidizing trade production compared to the population, i.e., in order to ensure the craftsmens income.

It will only be possible to solve these questions in conjunction with all other questions concerning the subsidizing of goods and services to the people, particularly the elimination of subsidies that no longer have a social justification. On principle one would have to say that targeted subsidies have always had their justification in the development of our country. For instance, industry prices, which have risen sharply in the last few years, have not automatically been reflected in the trades. All these measures are aimed at eliminating the subsidies mentioned in (1) and (2) at the appropriate time.

In the future, prices appropriate to output will apply for craftsmen on the basis of average costs for the particular professional group in the trade. Costs include actual material costs, equipment costs and wages. Those are questions of longer term employment, because wage adjustment payments or surcharges can only be decided as a package. We are always dealing with an entire complex of measures.

[DAS NEUE HANDWERK] Can fair prices really be established, if principles of social policy are not to be ignored?

[Gunter Hildebrandt] Yes, the problem is to overcome the negative social and economic effects of subsidized prices. That can only happen gradually, and it always is a question of choosing the right moment. Everything has to be arranged in such a way that prices are economically effective for tradesmen and socially more equitable, as well as ensuring their social security.

We do not want to reduce the craftsmens income as the result of measures like this. Matters have to be calculated in such a way that neither the craftman nor the customer suffers.

[DAS NEUE HANDWERK] What will be the steps taken to achieve this?

[Gunter Hildebrandt] Effective 1 January 1990:

1. For professional groups, fitters, engine fitters and smiths (including welding work), charges that cover costs and encourage productivity], based on an hourly wage rate of M 14, which includes the usual surcharges.

2. For vehicle repairs, for which there are no standard flat rate charges, an hourly rate of M 20 in shops of all types of ownership, to cover costs and encourage productivity.

3. For repairs on vehicles and motorcycles which are no longer covered by spare parts supply, a performance-related surcharge of 40 percent from the state budget will be guaranteed, relative to the unchanged flat rates that will be applied to the population.

4. For cooperative and private laundry operations new prices to cover costs and encourage productivity will be granted (similar to electrical).

5. For podiatric care a performance-related surcharge of 60 percent from the state budget will be guaranteed, relative to regionally differentiated prices to the population—which will remain unchanged.

6. Chimney sweeps will receive a performance-related surcharge of 20 percent, relative to stable prices to the population, private renters, and institutions belonging to religious communities. They will continue to charge these new prices for all other customers.

Work is currently in progress to pass similar measures for the wood treatment and processing trade by 4 January 1990, and also for linen and bodice cutters. Other trades will follow by 1 July.

This comprehensive package is being prepared in close collaboration with local councils and senior foremen.

POLAND

British Accounting Firm Establishes Partnership in Poland

90EP0258A Warsaw RYNKI ZAGRANICZNE in Polish No 116-117, 23, 30 Sep 89 p 8

[Article by Monika Sowa: "First Auditing Firm in Poland"]

[Text] An agreement to create the first auditing firm in Poland, Moore Stephens, Limited was signed in Warsaw. The partners are The Association of Bookkeepers in Poland, with 20 percent, and Moore Stephens Chartered Accountants, London, and GRT Gesellschaft fur Revision und Treuhand GmbH, Wirtschaftsprunfungsgesellschaft, Dusseldorf and Frankfurt am Main, holding 40 percent apiece. The foreign partners each invested \$25,000. Company headquarters will be at the LOT Marriott Center in Warsaw.

Moore Stephens Company, Limited is planning to perform the service of auditing annual balance sheets of companies with foreign capital. As everyone knows, Article 18, Paragraph 2 of the law dated 23 December 1988, concerning the economic operations involving foreign capital requires all joint ventures to have the books audited by independent specialists. These services

have been rendered by Western firms in the past. As the number of new firms with foreign shareholders has spiraled, it has become increasingly urgent to have the auditing services performed right here in Poland.

Moore Stephens Company, Limited will also appraise the firms' assets, for example, to determine the various partners' contribution to the joint venture, and it will perform bookkeeping and auditing services for foreign firms and branches located in Poland.

It does not seem as though the real expansion in the demand for bookkeeping and auditing services will be felt until after the reform is implemented in Polish accounting, which, compared to the West, is extremely complicated now. A corresponding regulation is being readied at the Ministry of Finance, but we need hardly add there can be no competent accounting without a sound financial system. Simplifying accounting principles (going over to the Western models) and altering the ownership structure will probably make it necessary to have independent auditors verify the companies' annual balance sheets, as is done in market economy countries. By that time Moore Stephens Company will probably have developed a large corps of professionals.

These same shareholders from Poland, the FRG, and Great Britain have simultaneously created a consulting company called International Business Consulting Company, Limited. It will advise Polish entrepreneurs eager to enter into foreign economic cooperation, help foreign investors anxious to invest their capital in Poland find a suitable partner, organize training and seminars, and perform management services for firms that are going through crises, carrying out investments, and such.

Moore Stephens is an international consulting and auditing firm. During the more than 80 years it has been in existence, it has set up a network of 200 offices in 65 countries. The company's first contact with Poland was nearly 50 years ago, when Moore Stephens was a consultant for establishing a Polish company in Great Britain. The new laws on economic operations with foreign partners and the growth of investor involvement in Poland month by month inspired Moore Stephens to get into the Polish market.

The West German partner of the two companies founded in Poland, GRT, also has an international clientele, which has included a dozen and some Polish companies since the mid-1970's. GRT has also been working in close cooperation with Moore Stephens.

Because of the two foreign partners' foreign presence and experience, the new companies have the opportunity for rapid development, and not just in Poland. IBC Company will probably open branches in London, Dusseldorf, Frankfurt am Main, and Paris, as well as an information office in Brussels. There are also plans to set up bureaus in Gdansk and Katowice.

Foreign Trade Enterprises' Clients Lag Behind in Their Payments

90EP0275A Warsaw RYNKI ZAGRANICZNE in Polish No 151, 19 Dec 89 p 8

[Article by Jerzy Szydłowski: "Payment 'Jams'"]

[Text] A considerable segment of foreign trade enterprises, especially the ones in which the share of imports in the turnover of trade is high, are now facing a difficult financial situation through no fault of their own, due to the failure of customers, including units financed from the budget, to pay before the deadlines set for the imports of goods which the foreign trade enterprises carry out on behalf of their customers. By virtue of this, the amounts due to foreign trade enterprises such as Ciech, Metalexport, and Varimex run into many billions of zlotys.

The failure of purchasers of imported goods to settle accounts payable causes these enterprises to seek bank loans at high rates of interest in order to be able to operate and pay production enterprises on time for the exports of their products. Therefore, a paradoxical situation has emerged when the foreign trade enterprises are creditors for the recipients of imported goods and frequently in debt to the enterprises producing goods for exports. Thus, the foreign trade enterprises have accounts payable but no money.

It is still more paradoxical that treasury chambers insist that the foreign trade enterprises pay the turnover tax on their operations as soon as the F1 invoice is drawn up by them. At that time, a foreign trade enterprise as a payer has obligations to the foreign supplier by virtue of importing the goods and by virtue of the turnover tax, import encumbrances, and customs duties levied. Meanwhile, the recipients of goods, including units financed from the budget, have no such obligations despite being taxpayers as well.

In imports, a very serious problem occurs in calculating the results of changes of the exchange rates of foreign currencies against the zloty. Until January 1987, settlements were made with the state budget for differences due to the recalculation of foreign assets and liabilities at the rate in effect on a given date. Effective 1 January 1987, the burden of difficulties resulting from the devaluation of the zloty against both Western currencies and the transferable ruble in settlements for commercial payments has been shifted to the foreign trade enterprises.

Since 1 January 1987, the zloty has been devalued many times. In conjunction with this, the negative balance of exchange rate differentials due to the devaluation of the zloty in the period since 1987 has come to many billions of zlotys at foreign trade enterprises for which imports dominate and where it is carried out on the basis of merchant credit. This balance is a powerful negative influence on the performance of these enterprises.

Negative exchange rate differentials and high costs of interest on the loans taken out by the foreign trade enterprises develop due to the latter extending credit to the recipients of imported goods from the moment they incur payment obligations to a foreign partner, to the moment the domestic recipient pays for the import delivery.

Besides, additional costs of extending credit to the recipient are accumulated due to the fact that between 5 and 10 days elapse between the moment the bank obligates the account of the debtor (domestic recipient) and the moment the account of the creditor (the foreign trade enterprise) is credited.

Shifting the burden of negative exchange rate differentials in imports to the foreign trade enterprises causes the deterioration of their financial performance and, ultimately, their profits to be distributed despite the efficient operation of a great share of them.

Some of the ministries to which many recipients of imported goods (units financed from the budget) report, such as, for example, the Ministry of Health and Social Welfare, understand the situation and propose to the foreign trade enterprises and the Ministry of Finance that supply contracts of the health service be signed on the terms of long-term credit at a favorable rate of interest. Credit transactions of that nature are favorable for the state in the current payments situation. However, implementing them runs into difficulties, among other things, the justified demands of the foreign trade enterprises to cover the exchange rate differentials at the time of paying back a regular installment of credit.

In view of frequent changes in the exchange rate of the dollar, the amount of zloty obligations is hard to predict, and units financed from the budget are not capable of responsibly assuming the obligations caused by frequent changes in the exchange rate of the dollar.

Therefore, it appears that the most appropriate arrangement would be for the state treasury which, after all, funds the units financed from the budget, to assume obligations due to the exchange rate differentials in the import transactions on behalf of these units.

Due to the high rate of interest on loans extended by the banks, producers of exported goods demand payment from the foreign trade enterprises at the time export deliveries are made, being reluctant to pay high interest on the loans. To this end, the foreign trade enterprises have to take out zloty loans at a high rate of interest and incur high costs by virtue of this. If a foreign trade enterprise does not make a payment at the time an export delivery is made, industry, on occasion, refuses to make further deliveries. On the other hand, increasing the commission charged by the foreign trade enterprises would cause increased prices and lower the competitiveness of our goods in foreign markets. At the same time, the failure of the foreign trade enterprises to pay producer enterprises on time for exported goods causes financial difficulties for these enterprises.

Prolonging this situation poses a threat of considerable unfavorable consequences for all participants in commercial turnover with foreign countries. This is why quick decisions are necessary in order to eliminate the "payment jams" which have emerged between economic units.

Council of Ministers Economic Committee on New Foreign Trade Goals

90EP0258B Warsaw RYNKI ZAGRANICZNE in Polish No 139, 21 Nov 89 p 8

[Article: "Polish Foreign Trade: Liberalizing Trade"]

[Text] The concept of liberalizing foreign trade was presented at a session of the Council of Ministers' Economic Committee, at the beginning of this month. We are giving the basic elements of this concept below. They are to serve as the basis for formulating concrete legislative initiatives designed to put into economic practice the various solutions called for here. We will also present these concrete solutions in our publication as the preparations continue.

For years now the foreign trade ministry's actions have been marked by liberalized foreign trade, by which we mean the introduction of facilitations for economic parties entering into and maintaining cooperation with foreign partners and the creation of organizational conditions to spur dynamic growth of turnovers. In the present situation this liberalization should consist primarily of creating equal operating conditions for all actual and potential foreign trade participants and adopting organizational solutions to permit a significant rise in trade turnovers and the strengthening of Poland's economic ties with foreign associates.

By the very nature of things, the general organizational solutions adopted within the economy will determine the concrete actions to be taken. The extent of the conversion to a market economy will determine the scope and degree of the difference in the various parties' foreign trade situation. Decisions about exchange rates, foreign exchange allocations, and the pricing system will be of utmost importance.

Two general conditions should be kept in mind, while the models of the system are being prepared. On the one hand, all the systems solutions should be constructed so that economic ties with foreign associates can be liberalized to the greatest possible extent. Poland expects to apply in the near future for acceptance into GATT on normal terms, and the liberalization matter is basic to Poland's success.

On the other hand, one cannot equate even the most liberalized trade with absolute freedom. Especially given the present economic situation, in this connection we should anticipate certain government control functions and select a suitable array of instruments to insure their

success. In the event of essential restrictions in turnovers, we should see to it that they are identical for all the economic players.

An essential condition to equalizing the position of all players in international trade is to structure a uniform currency market, where the zloty's foreign currency exchange rate would be influenced by supply and demand, taking balance of payments needs into account. Market operation principles would be identical for all economic players, including the budget. The principle of selling all export income back to the foreign exchange banks should be established. The economic players' import needs will thus be entirely satisfied either by buying foreign exchange currency on the market or by drawing credit at the bank.

If no transition to a market with a uniform foreign exchange rate is possible by the beginning of 1990, because foreign exchange reserves are not adequate to insure the operation, then the transition should be made gradually. During the initial period, the concept of a submarginal exchange rate should be abolished, and the zloty should be devalued at a rate exceeding the growth rate of costs and prices in the national economy. Central financing of imports should be considerably reduced, and a uniform mechanism should be established for tenders of foreign currency, thereby creating the conditions to facilitate the creation of a foreign currency exchange, by mid-1990, for example.

The market mechanism for structuring a uniform foreign exchange rate would make it possible to give up, or at least greatly reduce, the application of instruments to correct financial results, which presently represent a significant element that creates disparities in the positions of foreign trade participants. This is one reason for adopting a uniform foreign currency market as soon as possible.

Any subsidizing of selected types of economic activity (for example, certain farm crops) should take place at the production level. The application of special export-related subsidies or tax exemptions should be limited to the sphere in which they occur in other GATT countries.

For executing contracts which were entered into before the introduction of a market structuring a uniform foreign currency rate, the economic players involved will be able temporarily to obtain additional payment for export at the rate applicable in keeping with the subsidy regulations previously in effect.

Other categories of prices should be eliminated entirely in 1990 in foreign trade clearings, except for contract prices set by international trade participants directly. If official prices are maintained for imported goods in domestic trade, beginning in 1990 they should be structured at the level of transaction prices paid in turnovers with the countries of Payments Area II, because their structure alone is influenced by real market conditions. In the case of simultaneous imports from two payments areas (crude oil and iron ore, for example), it will be

necessary to apply instruments to correct the price level of imports from Payments Area I, in order to reduce the scale of foreign-trade distortion brought into the economy.

A new customs law will go into effect in 1990, ending the distinction between trade and nontrade tariffs. Uniform customs rates will prevail. Only objective criteria will be used to set the level of the tariff. Uniform rates and customs procedures will be used for goods which are components of what are called "complete installations." Uniform regulations and customs procedures will be introduced for all parties, regardless of the form of ownership or sector of the economy. There will be expanded possibilities for tariff agents, that is, economic parties who operate as persons of public trust at the request of foreign trade participants to handle formalities related to bringing goods across a customs frontier.

There are also plans to prepare legal solutions to permit the creation of special economic spheres or the transformation of existing duty-free areas into special economic zones, where requirements for foreign firms undertaking economic activity or capital investment would be simplified, and operating conditions, especially financial conditions, would become more attractive in relation to duty-free zones.

Tax differences for the various categories of domestic economic parties should be eliminated in 1990. Tax exemptions geared to certain economic players should be eliminated entirely. Only companies with foreign capital should be entitled to the three-year income tax exemption. Foreign investors who enter into ventures of notable financial magnitude should be provided the opportunity of extending their "tax vacation" to 6 years. The fact that a company financed with foreign capital enjoys a more favorable position than domestic companies can be justified by the desire to obtain the benefits related to the influx of foreign capital and transfer of technology.

Export-related income tax privileges should be retained temporarily (for 6 months, for example), also after the creation of a uniform foreign currency market, in order to sustain and bolster the economic parties' proclivity for export. It will be the purpose of these privileges to make foreign sales conditions equal to those of the domestic market, where it is far easier to gain a high accumulation, owing to the strongly monopolized supply. Because of the drastic nature of the changes in supplying the economy with foreign exchange, during the initial stage of foreign currency market operation, export figures may decline. It will therefore be essential to provide additional incentive for export.

Actions aimed at transforming the rules of trade with CEMA countries will purposely lead to setting up free currency clearings in trade, to eliminating or at least greatly restricting the sphere of turnovers agreed on by government institutions, and to structuring the largest

possible percentage of turnovers through direct contacts between the economic parties, who will also establish the level of prices directly.

Before any change can be made in the system of clearings in trade with CEMA countries, there must be precise, multilateral research into the possible short- and long-term benefits and losses, in terms of how important the turnovers with CEMA countries are to Poland. The partners must also agree to the innovations. Because trade agreements based on past regulations will be in effect until the end of 1990, it seems unlikely that there could be any drastic changes in these agreements before 1991. Some countries show no interest in implementing changes. A variety of trade systems can therefore be anticipated for some time to come. Actions will nonetheless be taken to get the partners to agree as soon as possible on the prospects for a wider scope of direct trade relationships between economic parties.

The list of goods covered by licenses in foreign trade will be considerably reduced in 1990. A license will only be required for trade of radioactive materials and stable isotopes, explosive materials and pyrotechnic products, and weapons and arms, and trade in the realm of representative and agency services performed on behalf of foreign contract partners. Trade of the above-mentioned products calls for special control, owing to the nature of the products, and special care is used everywhere.

Nonetheless, the economic laws should be changed, so that they will not be a barrier which makes it difficult or impossible for domestic or foreign economic players in certain areas to operate. This applies, for example, to telecommunications services, where the laws give the Polish Post Office, Telegraph, and Telephone, the PPTT enterprise, a practical monopoly, and to insurance.

A uniform tariff and standard foreign exchange clearing related to foreign trade operations are essential, if there is to be a liberalization of the direct control of trade turnovers in the form of export and import permits. Licensing is envisaged to include turnovers of farm products, basic raw materials, and fuels and materials for production, as well as special transactions (barter, compensatory and switch transactions, and so on), and commodity turnovers subject to levies based on internal consideration or international requirements. In such cases, permission will merely be an instrument to permit administrative involvement in turnovers, reaction to the changing economic situation (for example, by reducing exports of goods which are scarce on the domestic market or limiting certain imports to protect the balance of payments), and the enforcement of international requirements specifying permissible sizes of turnovers. The licensing of turnovers will also be used as a bargaining factor in negotiations over facilitations to give Polish goods access to foreign markets, by making relaxation of Poland's import restrictions dependent on the elimination of barriers which foreign partners have introduced to block Poland's exports.

Licensing will develop in the direction of giving greater freedom of action in the form of general permission with a validity expiration date or a specified permissible value of turnovers.

Licensing of goods subject to levies because of international requirements will also be based to a greater extent on economic criteria (prices obtained), in place of the currently prevailing historical criterion. An attempt will also be made to adapt the system of allocating export quotas among economic parties within the framework of quantitative quotas. Certain countries of the European Economic Community, for example, use this method.

During the transition period, after the introduction of the free currency market, it may prove necessary to have direct control of certain types of imports to protect the balance of payments. Therefore, there should be the possibility for flexible adaptation of the import licensing procedure by permitting imports.

The implementation of these changes leading to the creation of a flexible, effective system of licensing will require a substantial increase in the personnel handling the licensing of foreign trade turnovers—the Ministry of Foreign Economic Cooperation presently employs a dozen and some people to handle this task, but in the FRG, for example, there is a specialized license-issuing service with about 1,500 employees—and the allocation of modern computer equipment for these needs to make it possible to decide quickly whether to grant or deny permission.

Permission is expected to be granted not only by the Ministry of Foreign Economic Cooperation but also by plenipotentiaries of the minister's representatives in the voivodship offices. Licensing and the implementation of specific contracts will be accelerated in this way.

There will still be some central balance sheets for decisionmaking in 1990, although not many. They will probably be maintained in connection with setting limits on quantities of exports included on balance sheets of fuels, raw materials, and other materials. In this case, turnovers will be regulated through a system of levies and licensing. The list of commodities with any export ceilings should be as short as possible, and economic parties should be duly advised of the extent of the restrictions ahead of time. A legal barrier should also be established to prevent ad hoc intervention in the form of random limits or actual prohibitions against exporting certain kinds of goods.

Liberalization of foreign trade also includes the sphere of ownership. The ownership structure of existing companies will be transformed. Shares or stock belonging to the state treasury will be sold, so that the Minister of Foreign Economic Cooperation will no longer be a major shareholder or investor maintaining the right to veto in fundamental matters specified in the companies' founding agreements. The sales will be made according to market principles, and company employees will be able to become shareholders and investors. These

employees will be able to take over part of the company's capital under preferential financing arrangements (on credit).

Efforts will be made to create special financial institutions to permit the credit financing of foreign trade operations and financial backing for parties involved in international exchange, to reduce the attendant risk (for example, risk arising out of changes in the exchange rates of convertible currency and changes in the domestic foreign currency exchange rate). These institutions should be structured as companies of future holders with the support of the Export Development Fund. At the same time, we should insure the possibility of using this fund's resources for allocations of government export credit and of issuing government credit insurance to protect the fund's resources.

Society in Support of Economic Initiatives Continues Activities

Aims, Characteristics Detailed

*90EP0269A Warsaw GAZETA BANKOWA in Polish
No 50, 11-17 Dec 89 pp 8-9*

[Article by Ewa Spychaj: "Characteristics of the TWIG Movement"]

[Text] The TWIG [Society in Support of Economic Initiatives] is an elitist movement by design, with its origins being mainly among politicians and economic functionaries. Its goal is to create a proper system of operations with a proper structure which will speed up and safeguard reforms in the economy.

The goal of this movement is to provide aid in reinvigorating the economy and, consequently, the status of well-being of the people within the framework of the existing political and legal system.

The movement stands for a system of values associated with efficient and smooth operations. The following are valued: enterprise, pragmatism, direct involvement and at least partial privatization of the economic operations which it entails, the skill of achieving specific tangible effects, resourcefulness, innovations, and the ability to take advantage of all opportunities which everyday practice presents without waiting for particularly favorable conditions, creative criticism combined with the ability to propose and implement improvements, "greed" for new original solutions, the ability to convince others, having respective contacts which are useful in the course of practical activities and the ability to take advantage of them, holding a high station in society and post in the official social hierarchy (the two last values coincide with the highly praised "clout"), and control over specific resources (tangible, intellectual, contacts, and so on).

The aspiration to make changes within the framework of the existing system is a characteristic feature of the movement. Its functionaries do not clamor for revolutionary changes in the organization and operation of

basic elements of the economic and managerial structure. In turn, they strive for legal regulations which would make it possible to navigate freely in reality as it exists and accomplish changes in it in an evolutionary manner and by way of independent grassroots movements.

We can see in this a tacit assumption that many functionaries and structures of existing command-and-allocation systems have development potential. Representatives of the former centralized economy adapting to the reform have two avenues for activity within the society:

—Being good observers of the operation of the economy (from the inside) for many years, they are aware specifically of the places in which improvements or altogether new solutions can be introduced, and they know which conditions should obtain in order for this to happen. They are able to find every gap in the existing system which favors their reform intentions. In the broadest possible terms, reform actions are interpreted in this instance as acting "the old way on behalf of the new."

—Operation within the existing economic structures, without assuming their revolutionary dismantling, follows from the experience to date of the two once opposing groups—state entrepreneurs and private entrepreneurs. The years (at the beginning of the reform) in which private industrialists in their capacity as founders of companies using the accomplishments of science, Polonia companies, foreign companies, owners of private enterprises, and so on were attacked by large state-owned monopolies for the immoral mode of enrichment and obtaining production effects which contravened the doctrine, the years in which it was explained to them (in the 1980's as well) that, if they come up with something useful and new, they should surrender it "in the name of the good of society" to the monopoly which will take advantage of it on the scale of an entire society—these years have taught private entrepreneurs to defend their property (in keeping with the law). At the same time, they have come to understand that the opposition is capable of resorting to arguments of the heaviest caliber in order to make their development, and even further existence, impossible. Introducing changes on the side of the opposition was the only solution.

Meanwhile, the position of state potentates began to get shaky. A succession of measures in the reformed economy deprived them of the protection by ministries, of subsidies, preferences, priorities, and the surrounding administrative cliques which provided a sense of security. Questions began to be asked about their performance, and for comparison small private entrepreneurs were pointed out who managed to be efficient despite "objective difficulties." Some enterprises have been dissolved; others are facing this danger.

Therefore, a time has come when both parties found that understanding is the only way out. In this manner, private entrepreneurs safeguarded themselves from yet other "wolf pack attacks," and the state potentates learned real management. This is exactly the type of alliance which is registered in TWIG activities. In the course of this, private entrepreneurs are learning to understand and introduce reforms on the principle "in the new way on behalf on the new" (let us recall the concept of the Warsaw chapter and Professor Sylwester Porowski).

We may also say that in the union no cooperation between chapters occurs. Only Zielona Gora and Warsaw cooperate; they have common goals and a similar mode of operations. Other chapters have in common the ideological and program policy and a joint "superstructure" in the form of the National Council. What goes on within the chapters depends primarily on the people working there, on their experience, ambitions, and horizons.

The relatively weak interest in the issues of rural areas, agriculture, and local affairs in general is another characteristic feature of the TWIG. It takes no particular interest in the economy outside large conurbations in its capacity of a society in support of economic initiatives. Actions for the benefit of agriculture and the food sector of specific gminas, and so on are definitely becoming apparent only in the Ciechanow and Walbrzych chapters. This may change when the principle of subsidizing food is canceled.

At this point, it is difficult to evaluate the role and significance of the TWIG movement due to, among other things, the TWIG continuing to develop in the most disparate directions. Undoubtedly, it is very significant because it amounts to an institutionalized formula of economic reform interpreted, among other ways, as developing initiatives and enterprise in the least restrictive manner.

The movement has now spread throughout all of Poland. It has contacts with many political, administrative, and public organizations and institutions at different levels. It has definitely established a stable position among other socioeconomic institutions. Being a young movement, it is dynamic and to a great degree spontaneous which augurs well for further increasing its significance and role in actions to reform the economy.

Agenda, Monetary Support Noted

90EP0269B Warsaw GAZETA BANKOWA in Polish
No 50, 11-17 Dec 89 p 9

[Unattributed article: "Foundation in Support of Economic Initiatives"]

[Text] Do you want to set up an enterprise in Poland? Are you looking for a partner in a company with foreign participation? Do you have an idea, but do not know how to implement it? Would you like to use your

production capacity better? Would you like to develop exports of your products? In all of these matters, the Foundation in Support of Economic Initiatives set up by the Society in Support of Economic Initiatives in 1988 will assist you.

Multifaceted aid to all individuals, enterprises, and institutions which want to engage in efficient and profitable economic activities in Poland and abroad is the fundamental program concept of the foundation. The foundation, which has the right to engage in foreign trade and domestic sales for hard currency, is open to all economically rational economic undertakings with the participation of domestic and foreign capital.

The scope of services provided by the foundation includes marketing, foreign trade, economic and legal consulting, setting up joint-venture companies, creating companies and designing programs for their restructuring, aid in complete utilization of their production potential, promotion, and advertising. The foundation offers its services to small and medium-size companies in particular.

Several entities operate within the framework of the foundation, including:

The Consulting Center—expert reviews, consultations, and advice in the fields of law, finance, management, scientific-technical and organizational progress.

The Foreign Trade Bureau—development of exports and imports of goods and services, organization of fairs and exhibitions abroad, technology transfer and development of East-West economic cooperation.

The All-Poland Center for Environmental Protection—expert reviews and consultation in the field of water and waste water management, removal and management of waste, design of water-treatment facilities, technology of environmental protection.

The Geodetic and Geological Services Enterprise—expert reviews and services associated with diagnosing, measurements, geodetic drafts, and foundations of construction projects.

The Center for Cadre Development—courses and training sessions, organization of conferences, congresses, seminars, and so on, publishing and exhibition activities, scientific-technical consulting.

The foundation is a partner in companies which provide services in the fields of insurance and security, trade, food service, hotels, production of boats and lifesaving equipment, processing of plastics and waste rubber.

The foundation cooperates with companies from the FRG, Sweden, United States, Czechoslovakia, and the Soviet Union. The foundation provides for them representation services, operates consignment warehouses, and sets up joint-venture companies. The foundation also participates in many companies with foreign participation. Among others, it is a cofounder of the company

POLTELKAB developing cable TV in Poland. It is also a partner in the joint-stock company the Bank of Economic Initiatives (BIG-BANK). In addition, it operates a store in Warsaw which sells car electronics and accessories. It rents or leases shops in Warsaw and other cities. The foundation has its own capital accumulated from the profit from its economic operations, contributions by the founders, gifts, inheritances, and so on. These funds are invested in financing efficient economic undertakings. To this end, credit, loans, bank guarantees, warranties, and so on are provided.

The foundation has local branches in Krakow, Lublin, Gdansk, Krosno, and Radom.

The board of the foundation is located in Warsaw, at 36 Krucza Street, telephone 280-281, extensions 499 and 443, telex 813581 or 816121, fax 219945. For those willing to contribute to the foundation, we provide the number of the zloty account: Branch No. 10 of the PKO [Polish Savings Bank] in Warsaw, No. 1603-500063-131 or hard currency account Branch No. 10 of the PKO in Warsaw, No. 1603-203270-157-9787.

New Tax System: No Radical Changes Foreseen

90EP0277A Warsaw RYNKI ZAGRANICZNE in Polish
No 150, 16 Dec 89 p 8

[Interview with Marek Dabrowski, deputy minister of finance, by Stefania Parkola; date and place not given]

[Text] [RYNKI ZAGRANICZNE] The new tax system will go into effect very soon and certain announcements or "leaks" on this subject are arousing fears that the "extortionary fiscal stringency" which has been so universally criticized, is nothing compared to what awaits the enterprises after 1 January. What are the Ministry of Finance's actual intentions and plans in this regard?

[Dabrowski] These fears are exaggerated, especially since we do not foresee a fundamental revolution in the tax system next year, although it would be useful. We simply have too little time to prepare it thoroughly. Only certain revisions will be made, as dictated by needs and in preparation for the completely new tax system which will go into effect in 1991. Right now a tax increase would slow down economic activity and also we must restrain ourselves from reducing taxes in view of budgetary balance. We want to restore this balance by reducing expenditures, mainly subsidies for enterprises; but we cannot reduce revenues at the same time.

In effect, therefore, we are keeping income taxes for individuals at their present level, 40 percent. The change, however, is due to the fact that we are eliminating a large part of the tax abatements, including those in export, for the production of quality-symbol marked products, for fuel and energy savings, and most investment abatements. This, of course, means higher tax burdens for enterprises.

[RYNKI ZAGRANICZNE] Why are these measures being taken and what is being offered in return?

[Dabrowski] The discontinuance of tax abatements in export is connected with the currency convertibility which is going into effect on 1 January 1990, with the adoption of a uniform exchange rate for the zloty, and its deep devaluation.

The present export tax abatements and the very extensive export surcharges were a substitute for exchange-rate balance. Because the exchange rate alone did not ensure that export would be profitable, it had to be saved by "artificial means," which were a burden on the budget. Tax abatement is also a form of subsidy. Now we are discontinuing these abatements, but in exchange for this the zlotys exchange-rate will rise greatly. It is already growing gradually and the profitability of export will be entirely different.

Also, tax abatements by virtue of quality symbols and fuel and energy savings were "artificial means" which replaced the functioning of normal price instruments, or simply the market price. Because due to the activities of the previous government prices had already become much freer, and we are continuing this process, next year most production and services will be rendered at contractual and free-market prices. Therefore, it is no longer necessary to augment the tax system artificially.

Next, investment tax abatements were very accidental. They were the result of political priorities determined in the past. They were often formulated very unprecisely, they were difficult to administer, and they made all kinds of tax abuse possible. We are now canceling them, but again, in return, depreciation allowances are rising greatly. This will take place as a result of two measures. First, for the first time in 2 years we will reappraise fixed assets, and this will produce a big jump in their value—an elevenfold increase, and depreciation allowances will increase starting 1 January. Second, we foresee the integration of depreciation rates and their growth, which will be continued in the future. Thus depreciation will fulfill the function of abatement for investment purposes. We are doing this for all entities which must pay income tax: legal entities, individuals, specialty farm production divisions, foreign small-scale manufacturing organizations, and foreign-capital companies. All will be treated the same in this regard. All tax abatements for organizations and institutions will also be discontinued because it turns out that not even the Ministry of Finance has a complete register of the various individual decisions on depreciations, exemptions and abatements which were granted in previous years.

Only the exemption privilege will remain, the so-called tax vacation for newly formed entities, including the very important 10-year exemption for construction materials. We are also introducing depreciation allowances for individuals conducting economic activity who maintain an accounting system.

[RYNKI ZAGRANICZNE] No abatements will remain?

[Dabrowski] Certainly, those by reason of investments which have environmental protection as their purpose, because they do not impact the financial statement of an enterprise and bring social benefits, and those by reason of expenditures for social goals. The purpose of these changes is to clear the tax system of the huge number of abatements and to bring the tax rules into uniformity. This should create a starting base for the reform which we intend to put in place beginning in 1991. The present changes, therefore, should be regarded as a lead-in for the changes to be made in the future.

[RYNKI ZAGRANICZNE] Is the increase in turnover tax rates also part of this lead-in?

[Dabrowski] In this case there will indeed be a tax increase, because the base rate will be raised from 15 to 20 percent. However, the differentiation will be smaller due to the combining of the rates. These are steps in the direction of a future value-added tax.

[RYNKI ZAGRANICZNE] Will export be exempt from turnover tax, as in the past?

[Dabrowski] Export as a rule, yes, with a reservation about which I will speak in a moment. But internal export, no. This is because the policy of eliminating the latter is connected with the introduction of an internally convertible zloty. The rules for this kind of selling will still be in effect next year, but starting in 1991 these sales should not be necessary. As part of this, at the end of the year we will stop issuing PKO certificates, including those issued as payment for workers employed in construction in socialist countries. This is unquestionably a difficult problem for the enterprises which are doing this work, but such a step is unavoidable.

In reference to export, the change is based on the fact that in accordance with the proposal of the experts from the IMF, most quotas will be eliminated, while part of them will be replaced by a turnover tax.

The universal tax on import will be something new. It will also be assessed against individuals when the quantities imported indicate that the goods are intended for trade. This is linked to another important move, namely the standardization of customs tariffs and the elimination of the division into trade and nontrade. This will take place at the beginning of next year.

[RYNKI ZAGRANICZNE] And how will the new tax system affect personal incomes? I am referring to the tax on salaries and wages and the compensation tax.

[Dabrowski] We intend to increase the tax on wages and salaries from 17.5 to 20 percent. However, in reference to the compensation tax, we foresee that it will be "brought into line" in the upper brackets, i.e., that the upper scale of progression will be reduced to 50 percent, except that the total amount cannot exceed 40 percent of the taxable base. I would like to say at this point that the work on solving these problems has not yet been completed.

[RYNKI ZAGRANICZNE] But it appears from this that the present relationships will be retained, meaning that the relatively lowest rates are paid not only by those with the lowest incomes, but also by those with the highest incomes, and the middle brackets, which have the largest potential for activity, will be taxed the most. Won't the higher rates affect the incentive to raise earnings, and thus to work more productively?

[Dabrowski] Those are matters for discussion. We believe that 30-40 percent is a rate which can still be paid. Of course, it would be best if this tax did not exist at all, but unfortunately that is not possible. In any case, it is applied in countries with a much better budget situation than ours. Therefore, for now we want to "demystify" it and popularize it. Hence the relatively high wage ceiling will be reduced and the numerous allowances and exemptions, e.g., for overtime hours, discretionary allowances (for persons in management positions), etc., will be eliminated. As a result, a larger number of people will pay this tax. We regard it as a kind of instrument of social policy, used to compensate for the disproportions in income, and also as anti-inflation insurance. The changes being made now will also serve as a bridgehead to the universal income tax which will go into effect in 1991.

[RYNKI ZAGRANICZNE] Will it have the features of a compensation tax?

[Dabrowski] This will be a tax which will combine in its functions the present tax on wages, paid by employees in the state sector, the tax on wages and salaries paid by the private sector, the compensation tax, the income tax on private economic activity, and the tax on specialty divisions in the farm economy. The tax on growth of assets, or on the increase in the value of capital, will be excluded, which is due to the fact that we are setting up a capital market in Poland. Work on this tax is underway.

In addition to the changes which I have briefly described, we are revaluating road taxes, local taxes, the base for taxing inheritances and donations, and many others.

[RYNKI ZAGRANICZNE] Let us return to the matter of investment abatements in the income tax. Does their elimination also affect export-oriented investment?

[Dabrowski] We believe that the incentive for export should be exchange-rate advantages and reductions in domestic demand, all of which is tied to the whole stabilization program and the tough credit policy plans. Export should not be a question of ambition or advantages gained by being able to obtain money from the national budget—it should be a necessity for an enterprise for which the domestic market is becoming too limited.

[RYNKI ZAGRANICZNE] These are assumptions that are real in a balanced economy. In our conditions, they appear to be abstract....

[Dabrowski] They will be abstract if the stabilization program is not successful. But for this program to be successful, this is just the kind of solution we must accept.

[RYNKI ZAGRANICZNE] But results cannot be expected for at least a year, and the incentives are being take away immediately. Are you not afraid that this will cause a breakdown in export, which is not too good right now anyway?

[Dabrowski] No, we will feel the results immediately. That is, a reduction in demand must take place within a few months, otherwise the entire concept of convertibility does not have a chance. These factors are very closely interrelated.

[RYNKI ZAGRANICZNE] The basis for a convertible currency in the countries where it exists are the country's resources and an economic mechanism of a market character. The system which the government is now working on aims at creating such a mechanism, and consequently, the resources. But right now convertibility is simply decreed. What, then, will it be based on?

[Dabrowski] The basic element that creates convertibility is the exchange rate—fixed at the proper level and sufficiently flexible.

[RYNKI ZAGRANICZNE] Sufficiently meaning how much? Has the final decision on this been made?

[Dabrowski] We will try to keep the artificial exchange rate in order to bring inflation to a halt, but only to the point where it does not threaten convertibility. Because the matter of convertibility is of supreme importance. There is an attempt to write this into the foreign-exchange law by requiring the National Bank of Poland to ensure the foreign-exchange banks a sufficient amount of foreign currency to execute all payment orders.

[RYNKI ZAGRANICZNE] Will the \$200 million promised by Bush be sufficient?

[Dabrowski] We are counting on more. \$200 million is the first instalment of standby credit. Furthermore, we are counting on a \$1 million stabilization fund. This money is to constitute a foreign-exchange reserve.

[RYNKI ZAGRANICZNE] Can't the free access to foreign exchange lead to a sudden, uncontrolled growth of import? Especially during the initial period, when the foreign-exchange barrier disappears and the awareness of a zlotys barrier, that "difficult-to-get money," has not yet developed?

[Dabrowski] The limit is the amount of domestic money in the hands of the importing organizational units, thus convertibility will be an element which disciplines domestic monetary policy. The severe restrictions in this area, precisely the "difficult-to-get money," will mean that both the enterprise and the populace will sooner sell foreign-exchange resources to the bank than buy them. And the central mechanism which will ensure that the

import of foreign exchange to the country is profitable, is a favorable exchange rate. Even at the present exchange rate it is more profitable to buy in the country than abroad—those goods which are available here, of course.

Greater monetary stringency will increase this availability. Enterprises will begin to get rid of excess stocks and at the same time, demand will be reduced. Those are the natural barriers to import.

[RYNKI ZAGRANICZNE] How has the matter of private import been regulated?

[Dabrowski] According to the same rules. There will be no barriers to giving foreign-exchange banks orders for payment for purchases abroad, but here these same natural barriers will operate. In the case of private import for commercial purposes however, there will be the same duty-tax consequences as apply to economic organizations.

[RYNKI ZAGRANICZNE] In this situation, what is the future of the currency-exchange desks?

[Dabrowski] The currency market for the populace will function on the same principles as in the past, i.e., in addition to the banking system. However, people will also be able to sell foreign currency to banks, and, as I said earlier, buy foreign currency at banks in order to execute payment-orders abroad. The National Bank of Poland will have many instruments with which to intervene on the currency market.

[RYNKI ZAGRANICZNE] Won't a high exchange rate be another inflationary factor?

[Dabrowski] The devaluation of currency under a "soft" money policy carries over, through inflation, to domestic prices and makes another devaluation necessary. This cycle can be broken only with a "hard" monetary policy, which we intend to consistently implement.

Consulting Firm for Banking Services Viewed

90EP0265A Warsaw GAZETA BANKOWA in Polish
No 38, 27 Nov-3 Dec 1989 p 3

[Interview with Aleksander Lesz, chairman of Softbank Company, by Ireneusz Walencik: "Selling an Idea"; date and place not given]

[Text] [GAZETA BANKOWA] Softbank is not a bank but a company offering services to the banks. How did the idea of such a company originate?

[Lesz] The company was formed in January of this year. It was started by people who previously worked in banks and financial institutions. I was a department director at a bank for many years and, like my colleagues, frequently had various ideas about streamlining work, and about new organizational arrangements. The implementation did not get anywhere because bank employees always have a lot of work entailed by current operations. Hence the idea of a company originated to be involved in

developing solutions—preparing concepts, assigning responsibilities for parts of the concept, and designing operational manuals for each work station. We provide for banks an opportunity to carry out concepts associated with improving the technology of banking or labor organization. We consider several variants of the concept, and finally implement the most suitable one. A bank cannot assign such work to its employees.

[GAZETA BANKOWA] You are also involved in computers and data management. What does Softbank Company have to offer in this field?

[Lesz] We offer help to our clients in the selection of proper computer equipment, programming, and in the course of installing a system. We offer the banks a system concerning direct customer services, primarily servicing hard-currency accounts. Now we are looking for a comprehensive data management system for the banks which would cover all of their operations.

[GAZETA BANKOWA] Staff training for the banks is the third kind of operation by your company. However, in essence this boils down to organizing courses for hard-currency cashiers.

[Lesz] This is true. However, we want to start the training of bank personnel at all levels next year in spheres quite well forgotten in our country, such as stock exchange operations, organization of broker offices, and promissory notes. We are looking for partners in such training in the West.

[GAZETA BANKOWA] What is the company working on at present? How do your contacts with the banks look? Does the company approach them with proposals for its solutions or does it fill specific orders?

[Lesz] It happens both ways. For example, we are developing the concept of operation of a foreign department for one of the banks. On the other hand, we have our own data management products for direct customer services which we offer as an already developed solution.

We are now working on introducing magnetic cards for bank customers and automatic cash dispensers, so-called banking machines. Two members of our staff will travel to the United States for 3 weeks of special training in servicing and programming banking machines. All banks are interested in this form of customer services because this would make their work considerably easier and would save the banks a lot of money, as well as the time of customers.

[GAZETA BANKOWA] Which banks are your largest clients?

[Lesz] The PKO [General Savings Bank] BP Bank is our largest permanent client. In addition, we have agreements with commercial banks outside Warsaw.

[GAZETA BANKOWA] Can you say at present, three quarters later, that this is a profitable operation?

[Lesz] We started with 10,000 zlotys in capital. We had nothing but an idea and a couple enthusiasts. Now we have our own premises, some money in the account, and we may start investing. At present, we employ 15 full-time staff, and several dozen people, banking specialists, do free-lance work for us. We embarked on a quite risky business because ideas in Poland have never paid well. In a bank, they would eagerly spend, say, 200 million zlotys to purchase computers. However, when they have to pay this money for some business arrangement they think twice whether it makes sense. Fortunately, this is changing. Bank specialists are beginning to understand that introducing new arrangements will yield results in the long run rather than right now, in the form of saving time, money, and labor, and thus higher profits.

[GAZETA BANKOWA] Can someone who intends to set up his own bank go to Softbank Company to get a prepared concept of what the best way to do it is?

[Lesz] Certainly, this is typical consulting which is also within the scope of our operations.

Assessment of Private Pharmacies: Social Needs Not Well Served

90EP0280A Warsaw ZYCIE GOSPODARCZE in Polish No 51, 17 Dec 89 p 11

[Article by B.B.: "Private Pharmacies"]

[Text] There were nearly fanfares to welcome the first private pharmacies. Today, 9 months following passage of the economic activity law permitting private pharmacies, we have 170 of them. This represents less than 5 percent of all pharmacies. There are about 100 applicants waiting for the Ministry of Health and Social Welfare to begin issuing more licenses again.

It has not been difficult to obtain a license in the past. According to the provisions of the law, anyone could obtain a license who could afford to buy premises from Cefarm (or had his own) and to buy medications from Cefarm (supplies for at least 2 months.) It is true that the ministry queried potential pharmacy owners as to their pharmaceutical qualifications, but word got around that not everyone ... But before the conversion to private pharmacies had gathered speed, it was blocked, as the result of pressure from the deputies, mainly from the Citizens' Parliamentary Club, or OKP.

Deputies are not usually against things. It is just that they do not want and cannot allow pharmacies to disappear (transition from medications to a cosmetics boutique). Here and there too there was the specter of unemployed pharmacists, because the owners were making severe staff reductions. In Katowice, for example, the gossip was going around that Cefarm wanted to get rid of several dozen pharmacies and that several hundred pharmacists could lose their jobs. On the other hand, those who decided to run private pharmacies were starting to run the risk of going out of business, because the profits were more theoretical than real.

Here is how the owner of a pharmacy in the capital explains it (she used to be the manager there):

"Just a month ago the pharmacy was still not making a profit. The monthly turnover was running about 10 million zlotys. With a markup averaging about 20 percent, it was making about 2 million zlotys. There were seven employees. The rent was 130,000 zlotys. There were also the electric and gas bills to pay and so on. The cooperative wanted 800,000 zlotys rent. After a lot of bargaining the rent was set at 530,000 zlotys for the present. I won't know how much I have to pay for the gas and lights until I get the bills.

"At the very outset I had to make severe reductions in payroll. I wound up alone, except for a halftime helper and my family. I invested my savings in buying pharmacy equipment from Cefarm, remodelling the place, and buying stocks of medications. I spent tens of millions of zlotys! I don't ask for credit, because with the current interest rate (117 percent) and fixed markup (from 10 to 25 percent, but higher for bandages, cosmetics, and skin care items), I would never get out from under. I work from morning to night (up to 16 hours a day!). I am the stockroom clerk, the cleaning woman, the counter assistant, and the bookkeeper all rolled into one!"

During the first month, the pharmacy had turnovers of about 30 million zlotys (three times what they were when the pharmacy was part of the Cefarm network, but keep in mind that it was at just about this time that medicine prices rose by about 92 percent). Earnings were therefore on the order of 6 million zlotys. We will not know how much the owner will pocket until all the bills are paid. For the time being, the profit is purely theoretical, because there has only been about 3 million zlotys actually in the cash register this month!

There are theoretically two ways out for her. She can either wind up the business (only who will give her back the money she has invested?) or offer more general drug store items. She could also apply for another license to sell medications produced abroad, provided she could handle them in trade, like Pewex, with 100 percent payment, and calculate the price in terms of the dollar's free market exchange rate.

All this is speculation for the time being. Following the suggestions of the deputies, the health ministry is drawing up new principles for issuing licenses to run pharmacies. There is reason to doubt whether the ministry will be interested in widening the assortment of general drugstore items. It will not be easy to get a license to handle foreign medications either. The need to tighten pharmaceutical controls is one of the most serious barriers. It would be possible for medicine without Polish approval to find their way into private pharmacies. It is true that the thalomide tragedy happened many years ago in Western Europe—the controls on allowing an

ethical drug to be sold are far looser there—but the memory of the calamity inclines us to be "safe rather than sorry."

For the time being, there is no danger of unemployment for the more than 16,000 pharmacists in Poland many of whom are employed in places other than pharmacies, such as hospitals and sanitariums. On the contrary, there is a constant shortage of pharmacists and pharmacies in the large urban areas. It is actually desirable to make better use of employees. It would also be desirable to avoid having the old pharmacies under new ownership restrict their operations to selling prepared medications. If pharmacy operations are determined by the form of ownership, the conversion to private ownership will be a great disadvantage, because whenever we receive a prescription for something that has to be made up, we will have to wait weeks to get it from the last government pharmacy in existence!

Today the whole pharmaceutical world is in turmoil over the issue of private pharmacies. This is not surprising, given the fact that the pharmacy is now being treated just like any other store! It is enough, however, to treat it as one of the links in the health services chain, which it is, so that the conversion to private ownership will not bring protests from pharmacists or create fears in the minds of potential patients.

ROMANIA

Deputy Minister Caloianu on Economic Situation

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[Article by Elisabeth Holte: "An All-Out Effort Awaits Romania"]

[Text] Bucharest, January—"The primary thing is to provide enough food, heat and electricity for the people so they can pull through the winter. In short, the restructuring and making the industry effective, increased export and intensive use of short-term foreign credit become the big catchwords in the effort to get the Romanian economy up and going again." That is what Romania's Deputy Economic Minister Constantin Caloianu tells AFTENPOSTEN.

Caloianu does not hide the fact of how complicated the balancing act which the country faces in satisfying the immediate need of the impoverished population and in rebuilding the national economy is. He knows the problems well. During the Ceausescu regime, he was vice president of the State Economic Planning Commission.

It is in the building of this commission, not far from the old Central Committee Headquarters and the Presidential Palace in Bucharest, that the new economic leadership will try to clean up. The problems are totally overwhelming but now, at least, they—and old apparatus people who still are considered useful—can do the job

without unqualified detailed control from Ceausescu's inner circle and particularly from his powerful wife, Elena. Elena herself never went any further than the fourth grade according to her examination papers. "Elena had two classes [grades] more than the train," says the folk humor today. But she saw the country's economy as her personal task and she was the one who started, among other things, the backbreaking repayment of foreign debt.

Marketing Adjustment

The country's new prime minister, Petre Roman, has clearly stated in the last two weeks that no Western economy will be under consideration in the new Romania for the time being. "We are not yet talking about a market economy but about a beginning for decentralization," he says. But foreign political leaders who have had conversations in Bucharest have made a "slip of the tongue" afterwards and it is obvious that the leaders of the Council of the National Salvation Front are set on a certain adjustment to free market powers and a new price policy, among other things.

The economic situation in Romania is like something out of Kafka. The only bright financial factor, for which the people had to pay so brutally, is that in contrast to other East European countries, the country has no foreign debt. The last payment was made in March of last year after the Ceausescu regime had paid off a \$10 billion foreign debt in only eight years—faster than necessary and actually without the economy allowing for it.

Since March, Romania has built up a surplus in its trade balance and foreign currency reserve at the same time that the population starved and froze. According to Caloianu, it will not be known until the end of February how large these foreign currency reserves have now become.

Two Big Problems

"Right now, we have two big problems facing us. When it comes to energy resources, we will give the people first priority and take energy from the power intensive industry. But that will lead to a considerable drop in the industrial production which during the first quarter of this year will be 10 percent below the normal production for this time of year. This will have effect on a number of important export sectors, such as metals, metallurgy, chemistry, and machinery. In order to prevent unemployment as a result of this, we are now using employees for special repair and maintenance tasks until the weather becomes warmer and the people's need for heating becomes less. Then we will go back to normal industrial production again," says Caloianu.

The other main problem is the foodstuff situation where the domestic resources are too much off course and too small to meet even the domestic demand. For example, only 50 percent of the necessary meat production can be met. Therefore, there is now great emphasis on

importing foodstuffs—and especially feed so that hopefully as of May of this year, the country will be self-sufficient with regard to meat and poultry. There is, for example, great interest in importing fish meal.

But Caloianu does not hide the fact that all this will affect the trade balance. On the one hand, production must be reduced in the power intensive industry in important export businesses, and on the other hand, imports must be increased. This is where the new foreign currency reserves enter the picture, along with short-term credits that will be effectively used. Caloianu underscores that Romania is, in general, not ready to take on foreign debt but it will probably not be possible to avoid credits. During the past days, he has himself had conversations about credit possibilities with representatives for international organizations and big banks, and with EC and the West Germans. Those who want to do business with the Romanians, better get their act together fast. Relief shipments from the other European countries had barely arrived when business people showed up in Bucharest, particularly the West Germans and the French.

More Open Markets?

Deputy Minister Caloianu is quite preoccupied with the fact that Romania's trading partners now must support the revolution and open up their markets more for Romanian goods, such as metallurgic products, machinery and tools, chemical products, and light industrial goods.

"It is very necessary so that we can increase our imports and get the economy active again because we must strive for balance in foreign and domestic demand and not get in debt in the international market," he says. Under Ceausescu it was forbidden to have credit abroad. While Romania is extremely grateful for the help that has poured in since Christmas, everybody knows full well that it cannot solve the country's problems.

"It is quite obvious that the Romanian economy must be restructured. We are now conducting studies on this with special emphasis on the country's resources of raw materials, manpower need in the industry and improvement of the technological level in the production apparatus," he says.

The way Caloianu sees it, there are three ways of solving the restructuring problems.

"We can implement the reconstructing with our own strength but that is limited and we do not have the necessary competence, for example, within electronics. We can also import new technology or we can cooperate with foreign firms that have the special expertise and can help us to get up to the production level that satisfied the demand of the international market today," he says. As an example of the last mentioned, Caloianu mentions that the day before, he had conversations with British

representatives with the objective of British Aerospace sending experts to Romania to solve the problems of the country's air services.

Scandinavians

With regard to relations with Scandinavia, Deputy Minister Caloianu says that "they are very limited." When we tell him that Norway has decided to reopen its embassy in Bucharest, he answers soberly that this is good news but that it does not mean much at all whether there is a Norwegian embassy in Bucharest or not. "We are forced to discuss economy," he says and adds that he is interested in talking to the Norwegians about, among other things, aluminum, ferroalloys, production machinery, and tools.

Norwegian-Romanian Trade

With regard to Norwegian-Romanian trade, in practice the situation in 1988 was that Romania sold goods for 650 million kroner to Norway while Norway only sold for 6.5 million kroner to Romania. So, on the Norwegian side there is less dissatisfaction than on the Romanian side. Norway Export Council representative in Romania, Paul Costescu, underscores how quickly the

firms from other countries moved to Bucharest after the shooting stopped in order to secure the best possible vantage point for themselves. In Norway, people must realize that speed is needed to establish marketing if there are ambitions to do business in the new Romanian market, he says—and he adds that the Romanians are traditionally more preoccupied with price than quality. In any case, it is not an easy market.

Convertible Lei?

Regarding the prospects for the opening of the Romanian market—and a convertible lei—it is clear that this "cannot be solved in the near future," as Deputy Minister Caloianu expresses it. How much, for example, is the real value of 1 lei? (According to today's official exchange rate, \$1 equals 8.8 lei).

"Before we can open up the market and gradually make the lei convertible, we must establish prices that correspond to the prices on the international market as we, at the same time, take into consideration the technical level of Romanian goods. But that requires long-term analysis and difficult decisions before we reach that far," Deputy Minister Constantin Caloianu tells AFTENPOSTEN.

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